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# ***JPRS Report***

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## **Soviet Union**

***International Affairs***

19980112 200

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U.S. DEPARTMENT OF COMMERCE  
NATIONAL TECHNICAL  
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SPRINGFIELD, VA 22161

DTIC QUALITY INSPECTED 6

# Soviet Union

## International Affairs

JPRS-UIA-91-023

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15 October 1991

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**'Global Security System' Called for**  
*92WC0002A Moscow NEZAVISIMAYA GAZETA*  
*in Russian 18 Sep 91 p 4*

[Article by Sergey Machulin: "Potential Resistance. Strategic Arms and Defense Under Conditions of the USSR Crisis: Is It Possible To Escape From the Impasse?"]

**[Text] Disarmament**

The events of the end of August aggravated to the extreme those economic and political problems whose solutions have been dragged out over recent years. One of the most important of these problems has to do with strategic arms and the military-industrial complex which is involved in their development, production, and operation. It was the critical nature of this problem that served as one of the most important causes of the unsuccessful coup.

In addition to the purely economic issues related to the need to reduce expenditures on arms, the conversion of the military industry, and labor placement of millions of people, this problem affects radical geopolitical issues related to international stability and security and integration of the world community. The treaty on reducing strategic nuclear arms signed by the presidents of the USSR and United States only slightly eased the economic conditions of the strategic arms race, but it by no means opens up the paths to solving the most crucial problems. In particular, it is not so simple to put anything up against the strategy of nuclear containment which lay at the basis of the military doctrine and foreign policy of the nuclear powers and provided for curtailing aggressive plans over the past for decades. Incidentally, according to the treaty for reducing strategic nuclear arms, the relatively inexpensive stationary missile complexes are to be destroyed, but the mobile ones whose production costs many times more, on the contrary, will be developed.

Thus in spite of a certain amount of progress in the area of arms limitation, a new round has been started, and our country, torn apart by internal shocks and unable to feed and clothe its citizens, continues to spend billions to support the military-industrial complex.

Where is the solution? The most painless variant of conversion of the military-industrial complex and a breakthrough in providing for a new level of international security and cooperation are possible if work is begun for a global system of strategic control and defense (GSSKO) under the aegis of the UN. The idea of unifying the efforts of recently opposing parties, which is unexpected at first glance, has obvious political and economic advantages.

Let us discuss briefly how this system might possibly look. It would be expedient for the GSSKO to be able to perform the following basic functions:

- monitoring of the condition of strategic offensive weapons;
- antinuclear and antispace defense;
- monitoring of the condition of the armed forces of states and analysis of their military-political situation;

—ecological monitoring and reporting of emergency situations.

The administration of the system should be provided from several centers that duplicate functions and are located in various countries, with international teams under the direct jurisdiction of the UN Security Council. The core of the system should be comprised of a global network of communications and computer centers, which in principle could be used for solving any problems of the UN and UNESCO and international economic, law enforcement, and humanitarian structures.

The first two groups of functions should be performed on the basis of means developed within the framework of the SDI [Strategic Defense Initiative] program but with considerably less cost. The reduction of costs by a factor of 10-15 as compared to the American program would be brought about by the following factors:

- the means of defense may be calculated to destroy a 15-20 times smaller quantity of carriers and warheads (assuming that they are reduced in the USSR and United States to the level of other nuclear powers);
- with cooperation between the USSR and United States there will no longer be a need to complicate the system involved in improving delivery devices (reducing the active section of the trajectory, protective coverings, false targets, and so forth);
- integration of the efforts of the USSR and United States will make it possible to avoid duplicating developments, for example: The USSR could take responsibility for the basic costs in the area of systems for delivery into orbit (including with the use of missiles scheduled to be destroyed) and the United States—in the area of control and communications systems.

It should also be taken into account that a significant share of the expenditures could be taken on by countries not included in military blocs which need to provide for their security (for example, the Arab countries).

Questions might arise regarding the parties' basic readiness for cooperation in the military-industrial complex but this readiness has already been proved by numerous examples. Moreover, there is a fundamental possibility of a kind of conversion of both our military-industrial complex and those in the West, which will not only not encroach upon their interests but, almost without affecting the nature of their activity, will shift its goals to supporting long-term programs in the interests of the entire world community.

What will the development of the proposed program do for the economy of our country, which is on the verge of a catastrophe? In the first place, in the near future there is the possibility of sharply (by 70-80 percent) reducing costs of financing scientific research and experimental design work and arms production while still providing for the operation of almost all enterprises of the military-industrial complex (the GSSKO program could be financed mainly through foreign sources, and the USSR's share in the initial stages could be covered, for example, through providing missile carriers, communications and

tracking satellites, and so forth). This financing plus the inevitable introduction of modern technologies with a relatively small reorientation of activity will create ideal conditions for conversion of the military-industrial complex. Those who think that it is possible to reorient cumbersome small-series productions of the military-industrial complex to the output of civilian products in short periods of time without many billions in capital investments are deluding themselves. In the second place, the development of work under the GSSKO program will bring about a change in the restrictions on importing advanced technologies and the influx of investments and will increase the intensiveness of the interaction among specialists, which will contribute to improving their qualifications. Moreover, the participation of the military-industrial complex in international programs will raise the curtain of secrecy, which was needed mainly to cover up the many billions in ineffective costs and bad decisions on the part of the leaders, it will increase the effectiveness of the work of the collectives as a result of breaking through the information blockade, and it will make it possible for the organs of power and the public to monitor the activity of the military-industrial complex at all levels.

We shall discuss only the main political advantages of the introduction of the GSSKO.

1. There will be radical changes in the policy of nuclear containment, which for four decades was the basis of relations between the East and West. The restraint of

aggressive aspirations and security for each state will no longer be provided through our own offensive, essentially armed means and not by fear of retribution but by a system that is truly defensive, is the same for all, and guarantees equal security for all.

2. There will no longer be any point in any of the parties' developing new kinds of strategic nuclear arms since in principle it will be impossible for any state to gain any long-term advantage in science and technology over the united forces of the world community.

3. The UN will acquire real power and sharply increase its influence, which will be a significant factor in restraining political adventurers.

4. The process of nuclear disarmament will be essentially simplified because it will take place under continuous technical monitoring, and temporary imbalances in the potentials of the parties will be of no significance against the background of the defense system. Moreover, in the future the GSSKO will make it possible to completely eliminate nuclear arms and delivery systems for them.

5. The new level of cooperation in science, technology, economics, and the military sphere will significantly push back the curtain of secrecy and will make it impossible to secretly create new kinds of arms, it will have a favorable effect on the economies of the civilian branches of industry and international economic integration, and it will give a new impetus to development in all branches.

## New Foreign Minister Pankin Profiled

### Interviewed First Day in Office

92UF0024A Moscow NEW TIMES in English No 36,  
Sep 91 pp 7-8

[Inna Rudenko "exclusive for NEW TIMES" interview with USSR Foreign Minister Boris Pankin: "That the Diplomat Is a Yes-Man Is a Misconception." First paragraph is editorial introduction.]

[Text] When he joined the Foreign Ministry staff nine years ago his curriculum vitae included editorship of the 1960s daring-most newspaper KOMSOMOLSKAYA PRAVDA and contradictory copyright agency (VAAP) experience. His appointment as Soviet Foreign Minister was both unexpected and logical. At this moment of truth, that is after the putsch, civic spirit and professionalism are debated also in our foreign policy HQ. What will Boris Pankin be like as the new minister?

When I entered the Soviet MFA doors on Moscow's Smolenskaya Ploshchad (square), the police guard asked me which minister I wished to see. That was the very first day of the new Foreign Minister's activity and the very first interview he granted in his new office was to NEW TIMES.

Q. Congratulating you on your appointment, I would first of all like to know how it all came about, and whether it was so unexpected?

A. It was absolutely unexpected. Today is Friday, but only two days ago, on Wednesday, I was still at the Embassy in Prague attending to usual affairs and had no idea that such a thing could happen.

Suddenly at around midday on August 28, I got a call from Mikhail Gorbachev, who asked me whether I could emplane to Moscow at once, as it had been proposed that I be made Foreign Minister. I said I could emplane at once, but I would have to think about the matter. Gorbachev told me to get back right away and see him as soon as I arrived. I entered the President's office but a few hours later and, as you can see, had not much time to think the matter over. Let me add that on this score the President was seconded by Alexander Yakovlev whose opinion I have always prized. Incidentally he was there when I discussed the matter with Mikhail Gorbachev. Later on, I spoke to Eduard Shevardnadze who promised me every support.

Q. When you arrived in Czecho-Slovakia last year I was in Prague at the time. I remember your immediately declaring your intent, repeating what Alexandra Kollontai had once said to the effect that a day on which no new friends were made for the country was a lost day. Though only a little over a year has passed, which is not so much, I know that you have made many such friends. So how did they, including President Havel, take your new appointment. And what will your declaration of intent be like in this new office?

A. I think that from the very outset, as soon as I said I would do my best to atone for our sins as regarded the

tanks of 1968, I got going a sincere relationship with the country leaders, one that with the passage of time grew closer and still more human. However, only after my anti-putsch declaration I saw that slim invisible barrier, whose very existence I have realized only now, had completely collapsed. Indeed, when two days after the smashing of the putsch, President Vaclav Havel had invited me and Minister-Counsellor Alexander Lebedev to voice such warm sincere views, which he subsequently repeated when learning of my new appointment. I asked him to forget for a moment that I was the Soviet ambassador, I said I appreciated that, but felt it rather embarrassing to hear it all from a man who had fought totalitarianism for 23 years for which incidentally he had been jailed in his time, but who had won out and who was now ruling the country with his friends and comrades.

As for my declaration of intent in this new office let me say that as long as this is the declaration of a human being that of a statesman would follow.

To this day I wonder how much needs to be done to get the shackles off, to eradicate the dogma and to overcome the stereotypes, in short everything which today, despite six years of perestroika, still causes us to differ from being a truly civilized.

Q. How would you explain the circumstance that the world media have underscored that your embassy was among the few not to recognize the putschists? Also how would you explain the MFA's mildly speaking ambiguous stand?

A. This continues to torment me. There is one thing though that I am sure about, and that is that the different characters cannot be sired up by applying one common yardstick. Though the MFA did have its "empire builders," who were responsible for the regress, for instance, in our relationships with Czecho-Slovakia, if implied is a common motivation, the simplest answer would be to note, as is now being said that it would have been fear of losing a sine cure. I would also note a definite automatic response and a distorted concept of one's obligations, reminiscent in its way of the attitude to the military oath. However no oath demands the committing of crimes against humanity. That the diplomat is a yes-man is a misconception.

Q. Shevardnadze resigned not because of any breakdowns or difficulties in foreign policy, but in protest against much that was taking place at home. How would you assess the present situation at home? And in what event might you resign?

A. The situation is tough both economically and psychologically. The impression is that the overall euphoria caused by the victory of the good over the evil, is already unfortunately clouded by a bitter revengefulness. Again bursting out are the devils of the dark miasma of our 70-year-old history. While it is unquestionable that all the culprits should be penalized according to the law, if catharsis is transformed into a massacre time, then all of our society, our entire people, will fall to the axe. How many times really can we stumble out on one and the same threshold?

As for possible resignation, I am happy to be able in spirit and brain, if I may put it that way, to dedicate myself to the wellbeing of the people in line with the principles enunciated in our foreign policy. Should other principles be declared, a different minister will be in office.

Q. It was the younger generation that brought about the present revolution, which still has no name—though Ales Adamovich proposed calling it “the revolution with the face of Rostropovich,” I prefer calling it “the revolution with a human face.” They joined up with the 1960s generation. Would you base your personnel policy on this kind of alliance?

A. I would call these days the Days of the Transfiguration. After all, according to the Church calendar, August 19 marks the Transfiguration of Jesus Christ. At the request of friends in Sweden, I wrote an article I headed “The Days of the Transfiguration.” With kind mention once again of the tradition of the 1960s to whose generation the two of us belong, I would like to say that we are currently witnessing the emergence of the tradition of the 1990s. The tradition has been initiated by the youngsters who manned the barricades around the White House of Boris Yeltsin.

As for the principle of personnel selection, this is never to assess people by quantity and category. You can't imagine the times I have heard it said during my diplomatic career that career diplomats are good, and then that they are not, that only outsiders are good, and then again not. The gist of the matter is that each particular person is unique.

Q. Now as far as one can judge, we are going to have not one Foreign Minister, but fifteen plus one at best. Are you prepared to cope with that?

A. Certainly. After all, we always had that situation, only purely as a matter of form. Today this is a reality. Incidentally in both Stockholm and Prague, which last is closer to the present, I acquired experience in cooperating with my colleagues of the Baltic states, with Andrei Kozyrev, the current Russian Foreign Minister whom I am incidentally to see in an hour from now, and with Anatoly Zlenko, the Ukrainian Foreign Minister. After all, if EEC ministers can find a common language, cannot we do the same?

Q. The putschists claimed that abroad Soviet people now feel themselves to be “second rate.” Which was also one of the reasons why a state of emergency was promulgated. You have been a Russian abroad for many years now, so how would you comment upon that?

A. I would say that the putschists themselves were second rate. If the Soviets feel that abroad, that is the consequence not of perestroika's present stage, whatever it might be, but of the crisis phenomena afflicting our society. The smashing of the putsch pricked the boil and scattered the remaining suspicions, with such words as brotherhood and friendship again said by Czechs and Slovaks.

Q. Frankly speaking, would you call this your “starry hour”?

A. No. That euphoria, that feeling of freedom, all that Stefan Zweig called the “starry hour” I felt that very night

when Alexander Lebedev and I, having composed our protest against the putschists relayed to our friend, the Czech CTK journalist Miroslav Jelinek. That was an exceptional sense of freedom, although to be frank, earlier we felt alarm. The first time I experienced such feelings was when yet in my student years, we went up in a small PO-2 plane and I had to climb out on to the wing and jump. I was frightened as I looked down and saw student mates there below. But I realized it would be still more terrible not to jump. And so I jumped.

### Performance as Ambassador to Sweden

92UF0024B Moscow NEW TIMES in English No 36, Sep 91 p 8

[Article by Aleksandr Polyukhov, NEWS TIMES own correspondent in Stockholm: “From Novice to Doyen”]

[Text] The Soviet sub that went aground on Swedish shores provoked a crisis in relations between that country and the USSR. A diplomatic novice, the newly appointed Ambassador Boris Pankin had to save the situation. When he appeared in Stockholm in 1982, he was bombarded with acrimonious questions and backbiting by local officialdom. But when he left in 1990, besides being the doyen of the diplomatic corps, he enjoyed the repute of being the country's most popular foreign diplomat.

Boris Pankin had arrived with open eyes. He underwent a change and sought as best able to change the situation back home. Gradually he sought to transfer to Soviet soil (“regardless of the inclement weather”) the achievements of Swedish society, from the IKEA furniture supermarket to Tetrapak packaging, from courses in Sweden for Soviet economic executives to getting Tsentrosoyuz, the Soviet co-op society, to borrow from the experience of the local “civilized co-operators.”

Some three years ago he attempted to get the Soviet Union embrace the entire Swedish social model, by getting the governments of the two countries to set up a “round table” machinery for introducing Soviet economists and politicians to the secrets behind the functioning of a market economy and the system of social guarantees and structures of political democracy in social-democratic Sweden. He is not to blame that the attempts of curiously-minded Soviet officials to find out “why Sweden has everything and we have nothing” failed then to produce any practical results at top Soviet levels.

Boris Pankin was mocked when he sought to cover up all who with him or alone went ahead in their attempts to help the CPSU and USSR discard the Stalinist “revolutionary” interpretation of Marxism and embark upon a social-democratic road of social reform. I must admit that I called on him for advice when in reply to my NEW TIMES contributions, I was denounced by the “ministries and departments concerned” and always enjoyed his extraordinary and plenipotentiary support. Even when chucked out of the Soviet colony's Communist Party committee, Pankin refused to appease the emissary of the all-mighty CPSU Central Committee, namely the Party Committee Secretary for whom this office was a full-time job,

declaring that no ambassador or military attache generally should have any political party affiliation.

He was censured more than once, especially behind the scenes. Now and again there was good reason for that. His subordinates and colleagues griped not only against his character. Indeed, in the smoking room of the Soviet Embassy, the career diplomats or smokers from the Soviet Trade Mission were always able to discover pretexts for criticism. However, Boris Pankin soon got the "hang" of Swedish life. He hunted with big businessmen and visited their factories, attended art exhibitions and theatrical first nights, frequently met Prime Ministers Olaf Palme and Carlsson and was good friends with Astrid Lindgren, the noted writer of books for children.

When Boris Pankin said farewell to Stockholm last spring, this "literary critic" was dispatched to Prague to "playwright" Havel in order to build up anew the USSR's shattered relations with Czecho-Slovakia.

### **KGB Disinformation Objectives in Media Examined**

*92UF0029A Moscow KURANTY in Russian 19 Sep p 4*

[Article by Mikhail Shchipanov: "Undercover Officers' From the KGB"]

[Excerpts] The striking gesture by Yegor Yakovlev, who decided to rid the State Television and Radio Company of the "part-timers" entrusted to him—KGB officers receiving only part of their pay through the company payroll—was seen by millions of television viewers. However, not too many of them probably understood whom he had in mind and, in general, who are these 'undercover officers' from the KGB.

Actually, for the bureaucrats from intelligence, a "cover" is the most important condition for their professional activities. Nobody goes around the world with a "KGB" or "CIA" pin on the lapel. The distinguished chekist pin does not count. [Sentence omitted] Our domestic "part-timers," however, have been occupying for decades warm and soft "undercover chairs" in their own land, during, as they say, peace time. The more prestigious and "cleared for foreign travel" the organization was, the more extensive and permanent its international relations were, the more "part-timers" settled in its offices. APN, currently dying in the iron grip of the RIA under the sign of the IAN, had been called both openly and behind the back a "KGB subsidiary," or, as they elegantly call it in the West, an "antenna."

On the pages of MOSKOVSKIY NOVOSTY, A. Kabakov, who "has friends on the Lubyanka," had attempted to come near to the secrets of the APN-provided "cover." According to his information, "such an organization as the department of political publications of the former APN was at the same time almost entirely a department of the KGB's First Chief Directorate." As they say in the old anecdote, all correct. Except: not a department, but an editorial department, and during the last year an editorial office. And the 50 people there did not do any work—they were just formally attached to the agency's party cell. And

those who commanded the people living comfortably under this "cover" were not from Lubyanka, but from a new state-of-the-art center built in a new Moscow district.

Well, this is not the time to argue about the form. The important thing is to understand the substance. Otherwise we will never tame the three-letter monster, will never domesticate it, make it an entirely civilized organization protecting our vital interests. So...

The main function of the "undercover" structures implanted into the agency's body could be described by the capacious notion of "disinformation." Perceptive readers, of course, could object that disinformation was the function of the entire APN, whose task was to—at great expense—propagandize around the world, from America to Africa, the advantages and achievements of the socialist way and likeness of life. On the same grounds, the entire art of "socialist realism" may be called an unscience fiction. But a banal propagandistic lie is one thing; this is a crude thing. Quite another matter is professional, skillfully calibrated disinformation. This is a very fine art. As they say, there is disinformation and disinformation.

The purpose of the part-time craftsmen, concentrated in the Main Editorial Offices for Political Publications and some other structures, was to conduct "black propaganda": to prepare articles, books, brochures, or simply argumentation, in which, to the extent possible, the "Soviet ears" would be invisible. For the readers whose acquaintance with intelligence methods is limited to the books of Ian Fleming, I should explain that it is not always convenient, for instance, to defend the interests of the Kremlin policy with the help of "opuses" by official authors, who also until not too long ago were forced to abide by certain rules of the game and stay within the set of reinforced-concrete arguments. It is another matter if an independent newspaper or a magazine, published in far-away foreign cities and towns, publishes an article written from an entirely neutral position, using generalized facts found in Western publications, and on top of it signed by a local journalist or public figure. Never mind that the author may be turn out to be a leftist. What is important is that these objectivistic materials pushed the same ideas directed at Western politicians and ordinary folks: to boycott the Soviet market means to prolong unemployment; American grain sent to the starving people of Africa is poisoned by pesticides; the Soviet do not really have a superiority in tanks and rockets; and so on. The effect of the action depends, of course, not only on the quality and smartness of arguments prepared in the Western style, but also on where the unrenowned opus is published and under whose signature. A legend preserved by the "deza" ((disinformation)) veterans has it that one of the happy consumers of Moscow semifinished goods was, towards the end of her interminable life, the legendary Genevieve Tabouis, who had the winning habit of starting her articles with the sacramental lead "according to my sources..."

Anyway, the foreign part of the disinformation chain has been described in sufficient detail. Defectors did their job. First of all Major Levchenko, who had spent some time in Japan under the "cover" of NEW TIMES. He really did a

thorough job. Naturally, through his exertions many "contacts" have been destroyed, that is, the people who for a variety of reasons had been taking the "deza" and then either used it in their own writings or laundered it and supplied it to third parties. Levchenko has done irreparable damage specifically to "Service A" of the KGB's First Chief Directorate which, as they say, supervises the deza on the highest level.

No less interesting, however, is the Moscow trail, which does gradually fade now. Times are different. The cold war, whose climate especially contributed to the flourishing of the invisible information warriors, is indeed over. Their perestroika upsurge, however, should be considered the story concerning the geography of AIDS. In 1987, the talk started circulating that the plague of the 20th century is not God's punishment, but the result of professional negligence of American bacteriologists. They—the tale went—ignorantly released the artificial virus developed by them from their secret test tubes before its time. This was a very serious accusation, considering what kind of paralyzing fear the mere word AIDS had been evoking. Once in a while references were actually made to some sources of minor authority, including even some European professor. For professionals, however, it was clear where the thing was coming from. After all, the disinformation operation or a "documentary action" does not end with the publication of a skillfully planted scholastic thesis. The highest aerobatics is to quote an already planted "duck" in—this time—quite official propaganda: See, even the West European press is indignant over the machinations of the wily Uncle Sam. So, it is a sacred task for us to stop these wily efforts. That is why there was no doubt in the United States as to who had discovered the AIDS virus in American test tubes. The diagnosis was extremely quick. Soon afterwards the head of the American information service USIA lodged a personal protest to then APN Chairman V. Falin. The addressee was selected extremely well. Shortly before the sensational "discovery," a special group of staff, and not only staff, "undercover" APN employees was created by Falin's personal order, under the direction of Colonel M., newly invited to join the agency.

It is said that Falin had met the disinformation professional while serving as an ambassador to (then) West Germany. The acquaintance came in handy when Falin took charge of the agency. However, after the Americans, incensed by such a brazen lie, applied forceful pressure, the group was disbanded, and the colonel himself disappeared somewhere. As to Falin, he soon acquired his own "cover" on the Staraya Square.

Well, this is still only one, albeit vivid, episode. Disinformation requires daily laborious work. It requires blood, tears, and sweat that are invisible to the world. And this is where we approach the main key to the puzzle. Why create "antennae" in various international offices instead of concentrating valuable employees in comfortable secret centers? Because it is impossible to embrace the unbounded. Besides, to tell the truth, God deprived many officers—mobilized and drafted from the Komsomol ((All-Union Leninist Communist Youth League)) and party

work—of any talents. Except, of course, the predilection to report on others. Which necessitates "borrowing" someone else's gray matter, and commissioning the needed articles and collections of theses to experts. It is not advisable, however, to call, for instance, an ISKAN ((USSR Academy of Sciences Institute of United States and Canada)) researcher from such a center, or invite him for a meeting in a secret residence. It is quite another matter to call from a known moonlighters' feeding bin, such as the APN had been for decades, and ask him to write a five-or six-page article. It is true that the topics sometimes shocked some "egghead sovs." Some refused under the pretext that the suggested interpretation of facts would not correspond to reality. Naive people, they sincerely tried to educate their telephone interlocutors who looked complete ignoramuses in their eyes. The "undercover officers" were indeed complete ignoramuses on many issues, but, after all, the topics for the commissioned materials were sent down by bosses of party-komsomol origin.

Sometimes commissions fell through. Despite the fact that scientists, many of whom were unique specialists, were coming under pressure locally—by the bosses who had received a call from somewhere "at the top," or by the "undercover officers" in their own institute. By other interested parties. But most of the time specialists agreed to earn some extra milk for the kids without questions: meet the deadline and provide the number of the savings bank account to deposit the honorarium. It is not our business. If somebody orders material that the Americans are just about to strike a deal with the Russians behind Western Europe's back, it means that somebody needs it. Who? I think that the majority of theoreticians guessed correctly who was paying them through the APN cashiers. Yet they preferred not to quarrel with the powerful agency that could both assist in the career and grant permission to travel abroad. Everybody has to make a living!

Something else quite interesting. Among the "clean" APN staff, there is a legend that a historical decision had allegedly been made during Andropov's time. The intent was to permit APN services to put together materials which to a certain—within permitted limits—degree would differ from official ones. Somehow, the idea died somewhere in the corridors of power. The naive ones had no idea that such material had been produced in their native agency since 1961, that is, from the moment it was born. The newly-born disinformation service at that time was cramped in two small "pencil-box" rooms. After the "Prague Spring" events, it was decided to make disinformation a cornerstone of many foreign policy operations. Time went by; staff rosters swelled both at the center and under the comfortable "covers." The staffers not blessed with starred shoulder boards but who could guess who was sitting behind the partition, called the "undercover officers" the boots, the greens, or the neighbors. But they could not penetrate that partition with their mind. The "undercover officers" ate in the same canteen, played the office lottery for the same food parcels and women's boots. They even paid party dues from their official salaries of senior editors and consultants, which was duly entered in their



party cards. Naturally, not too many people knew that the "undercover officers" were paid their salaries not twice, but three times a month: Once a month they received the difference between their officers' pay and their salary in the agency. They also paid party dues on this difference. The difference was not entered in the party card, though. Now, however, in this epoch of total departyization this inconvenience no longer has to be endured. The flywheel of disinformation, however, set in motion many years ago, continues to turn.

**INSTEAD OF EPILOGUE.** It is too early to end this story with a period. I hope that a serious conversation with the participation of all interested parties will still take place on these pages. After all, what is important now is not to "restructure" the KGB or just to rename the "office," but to truly change its "genetic code." No country can yet exist without an effective intelligence service, answerable to the representative power. New times bring new songs, however. Some methods of this work, rife with serious flops and an increase in mutual mistrust, should be discarded. This material does not have—and could not have—concrete names, and a great many details have been

omitted. Otherwise, God forbid, someone could get hurt or a "hunt for undercover witches" could be provoked. But I personally would like to see the KGB analysts being able to introduce themselves to their interlocutors as openly as their colleagues from the CIA do. What is important is not disinformation, but current and truthful information. In any case, the heart-wrenching report from V. Kryuchkov to M. Gorbachev last March, stating that democrats have rope ladders and hooks ready and are planning to storm the Kremlin, is a typical example of disinformation, placed at the very top of the state hierarchy. It would be useful to find out, by the way, who was the author of such a "deza." Meanwhile, the Americans go even further. Senator D. Moynihan (D) introduced a law on the cold war which proposes to subordinate intelligence to the State Department and to put on par "clean" diplomats and "undercover officers." One way or the other, but intelligence priorities now include preventing the proliferation of nuclear and chemical arms, and combating terrorism and drug empires. In this situation, it would be silly to spend time and effort on fabrications that CIA agents are taking nuclear warheads all over the world in shopping bags.

**Currency Exchange Head on Exchange Rates, Operations***914A1198A Moscow DELOVOY MIR in Russian  
27 Aug 91 p 5*

[Interview with Aleksandr Potemkin by Aleksandr Tutushkin: "Currency Sellers... Are on Strike"]

[Text] The press widely commented on the record-low rates of the ruble registered on the currency exchange of the USSR State Bank and at the currency auction of the Tallinn Esti-Bank (60 and 75 rubles per U.S. dollar respectively) in the middle of July. Then the exchange rate rose to 50 rubles and remained at this level for three auctions in succession. The most different opinions of the reasons for the instability of the currency market are expressed. The main ones are obvious—inflation and decline in production. How is the situation seen from the inside and what does the exchange do to stabilize the situation? Our correspondent discusses this with its director Aleksandr Potemkin.

[Potemkin] First of all, let us clarify what happened. At the beginning of July we had a rate of 42 rubles per dollar. However, on 2 July an auction was not held on the exchange owing to the small amount of bids and all orders were transferred to the next auction. It was held on 9 July and yielded a rate of 49.6 rubles per dollar. But literally on the following day 75 rubles per dollar were paid at the Esti-Bank auction. I can only assume that buyers, who poured into Tallinn from our exchange owing to the restrictions on the purchase of currency for the import of consumer goods, became one of the reasons for the currency boom. But the volume of bids in Tallinn, as always, was not high—at the level of 1 million dollars. Therefore, the rate of the ruble fell so low. And when on 16 July the rate at exchange auctions was 1:60, we were psychologically ready for this.

[Tutushkin] In your opinion, what are the reasons for the fever on the currency market?

[Potemkin] We will begin with the fact that the consequences of the well-known letter dated 3 June of the USSR Ministry of Finance, in which the 35-percent profit tax was applied to currency operations retroactively as of 1 January, were felt in July. Until then a preferential procedure was in effect, under which the seller had the right to enter the ruble proceeds from the sale of currency, which remained after all deductions to the state, directly in his production and social development funds. Thus, they were tax exempt. According to the new requirements of the Ministry of Finance, 35 percent should be collected from ruble proceeds minus the balance value of the sold currency (that is, its value at the commercial rate). Therefore, although formally this is a profit tax, in fact, it is a tax on the entire income. The market reaction to this innovation was not instantaneous. As it usually happens, under the changed conditions its participants continued to operate according to the old method for some time. Their behavior began to change exactly in July. The reaction, like a pendulum, passing some equilibrium point adequate to the situation, by inertia went further and, in my opinion, became a shock reaction. Talk began about a sellers'

"strike." Enterprises withdrew sale orders and did not submit new ones. At the same time, a kind of "gray" market was activated. Clients, not displaying currency on the exchange, turned to hidden forms of its sale—under the guise of countertransactions, payments for goods, commercial credit, and so forth.

[Tutushkin] Please explain, using a concrete example, how much goes into the tax.

[Potemkin] Let us say, if an enterprise sells 100,000 dollars at the current rate of 50 rubles per dollar, its taxable net profit will total 4.82 million rubles (disregarding the commission). Thirty five percent of this amount is a substantial loss. It can be said that, in fact, the currency was sold for 33 or 34, not 50, rubles per dollar. Approximately the same rate was at the beginning of the exchange activity in April of this year.

[Tutushkin] However, if we take into account that the sharp decline in the ruble began from the rate of 42, by this time did sellers, having inflated the rate of the dollar, compensate for the losses due to the tax?

[Potemkin] In principle, yes. However, this inflation should not be considered some organized action. They simply restrained supply. This is quite a natural market behavior. The demand remained as before, or rose negligibly. As a result, the imbalance on the market increased sharply. Exchange auctions have clearly shown that the new tax leads to a destruction of the embryos of the currency market, which we have already managed to establish. And if it operates, nothing good can be expected in this area. This is not only my personal opinion, but also the position of the State Bank.

However, let us go back to the reasons for the decline in the rate of the ruble. I think that we should not dismiss the fact that data of the State Committee for Statistics on the extremely difficult situation in the economy were published in July. Gloomy forecasts for the second half a year and, worse than that, for 1992 appeared in the press at that time. A decline in production, inflation, and a big emission... The ruble began "to burn the hands." Clients had a greater desire to go away from it to currency and from currency to commodities and again to the ruble, having already incorporated all possible losses from the rise in prices and inflation in the profit. As a result, the rate of the ruble dropped below the rate that, all things being equal, would have been formed in a calm situation. And so, the currency market is a mirror of our economy.

[Tutushkin] We are discussing with you the vicissitudes of the currency market, using the language of military men, at the tactical level. But let us dig more deeply. It seems that one of the global problems lies in an artificial limitation of the volume of supply on this market, even as compared with the modest possibilities that the country has. This gives rise to purchase restrictions, to sellers' "strikes," and so forth. Simply speaking, enterprises have nothing to trade. Isn't that so?

[Potemkin] Absolutely right. If we take the volume of export proceeds received by the country at 100 percent—

and this is the maximum volume of supply, which theoretically could be advanced against rubles, for which there are no commodities, on the currency market—after all deductions, on the average, 15 to 20 percent remain in enterprise accounts. Only they can become commodities on the market. In fact, however, only 10 to 20 percent of this remainder is received for sale. The currency market is meager and, therefore, the currency rate formed on it is totally unrealistic—it is overstated artificially. Incidentally, there is the same picture on commodity exchanges. If they received all the produced products, prices would not be beyond the clouds.

[Tutushkin] On the exchange restrictions on the purchase of currency for paying for the import of consumer goods have recently been replaced with a quantitative regulation of the purchase. The business press has received this step, like previous restrictions, quite negatively, seeing in it a new foreign economic forced measure. What is the essence of the quantitative regulation and what are your arguments in its favor?

[Potemkin] I completely agree with the fact that the market should be free and the initiative of economic subjects should not be fettered. However, to utter these general slogans is one thing and to work under conditions of the market that we have, quite another.

We have encountered the fact that many banks tried only to buy, even when they had the opportunity to put some volumes of currency on sale. I would say that a consumer attitude toward the exchange—only to buy—has appeared. Therefore, we have decided to establish net purchase quotas for every exchange member at every auction. If the bank simultaneously submits sale and purchase orders, it will be able to buy no less than what it sells. However, to purchase in excess of the sale volume (this is net purchase) is possible only within the quota established for every bank depending on the ratio of its purchase and sale during the entire time of existence of the exchange. Naturally, "net" sellers receive a bigger quota than "net" buyers.

[Tutushkin] I agree that a quantitative regulation is a step forward as compared with the arbitrary withdrawal of orders from auctions. However, this is, as before, a volitional method of regulating supply and demand.

[Potemkin] Volitional, but, I am deeply convinced, fully natural for the market, which has not been balanced initially. After all, a quantitative regulation enables it to regulate itself. There are certain rules of the game here. Banks know in advance what they can expect and, accordingly, correct their behavior. The chief thing is that we get away from arbitrariness, to which clients always react so painfully. I would also like to note that the mechanism of quantitative regulation is quite flexible. As soon as supply exceeds demand on the exchange, it ceases to operate automatically. Moreover, since the volume of net purchase by banks, despite everything, increases, apparently, quotas will also be revised toward an increase. However, if we enter a period of stabilization, there will be no longer any need for a quantitative regulation.

[Tutushkin] What is still being done or will be done for the development of the currency market in the country, in particular, in the direction of its liberalization?

[Potemkin] Today no one dares to deny that the market of bilateral transactions between enterprises, apart from authorized banks (in any case at the stages of negotiations and conclusion of transactions), has become a reality. They sell currency directly to each other and, possibly, the volume of this market exceeds the exchange turnover. It is interesting that the currency price here is somewhat lower than that on the exchange.

The State Bank now takes steps to legalize the market of bilateral transactions. The procedure for their implementation has already been worked out, although it has not yet been approved finally. We have begun to work according to it as of 1 August. The bank—member of the exchange—accepts counterorders by clients for the purchase and sale of currency, that is, a contract arises between them, and the bank executes the commission contract. The State Bank sets the only condition—the transaction should be registered on the exchange. The contract enters into force from the moment of this registration. The currency price in such transactions is limited to the rate of recent exchange auctions, which rules out the possibility of dictate on the part of sellers.

[Tutushkin] However, if a transaction is realized apart from the exchange, why the registration? Not so that the exchange can remain "in business"?

[Potemkin] A logical question. In principle, this function should be transferred to the level of banks—members of the exchange. However, in this case registration on the exchange is the requirement of the State Bank, which, apparently, believes that such a procedure creates the best conditions for the legalization of the market of bilateral transactions and makes it possible to control it properly. It should be added that the charge for registration is purely symbolic—one per thousand of the transaction volume.

I assume that granting banks the right to sell currency directly to other banks, as well as to clients, will be the next step in the liberalization of the currency market.

[Tutushkin] Changes on the market of cash currency for citizens have occurred quite recently. The tourist rate of 32 rubles per dollar has been introduced administratively. Thus, the State Bank has given up the idea of establishing a single market rate of cash and noncash currency through the mechanism of exchange auctions. What has brought this about?

[Potemkin] Practice has shown that certain factors leading to a sharp decline in the rate of the ruble operate on the wholesale currency market. Whereas this rate is still acceptable to many enterprises, to which the stable demand attests, it would be simply unfair to extend it to the population. After all, if to compare ruble and currency consumer baskets, it becomes obvious that the rate, for example, 1:60 or 1:50, is absolutely unrealistic. Our cash currency market is quite closed and lives according to its own laws, which are different from those that operate on

the exchange. Therefore, the commercial and noncommercial currency rate cannot be connected directly. However, for the cash market the main task is the same as for the noncash market—to attain a balanced supply and demand. That is, proceeds from the sale of currency should cover the entire purchase. On this basis the State Bank has replaced the rate of 1:27.6, which does not correspond to present realities, with 1:32. Incidentally, this corresponds approximately to the freely formed rate of the black market, which can serve as quite a sensitive indicator.

[Tutushkin] Quite recently, to the question concerning development prospects, those interviewed usually answered that it was difficult to forecast the situation and, in principle, everything was possible. Today the tendency is visible quite clearly. And it is directed toward deterioration. Do you agree?

[Potemkin] It is difficult to dispute inflationary expectations and other gloomy forecasts by economists. Therefore, nor can an improvement on the exchange be expected, at least in the foreseeable future. After all, even if an economic advance begins tomorrow, which is simply improbable, this will be reflected in the currency market in half a year as a minimum. Some specific government actions, which would make it possible to hope for a clearing of the horizon, could affect rate stabilization. For now, however, we do not see this.

#### **Customs Chairman on Removing 'Artificial Barriers' to Travel**

92UF0034A Moscow TRUD in Russian 3 Oct 91 p 8

[Interview with Nikolay Aleksandrovich Yermakov, USSR Customs Committee chairman, by V. Golovachev and Yu. Dmitriyev, TRUD special correspondents; place and date unknown: "'Not Everyone Is a Suspect;' Artificial Border Barriers Will Be Lifted"]

[Text] What changes will be made to the customs service, once new sovereign states have replaced the USSR? What could we expect at the border?

These were the questions we asked of N.A. Yermakov, chairman of the USSR Customs Committee, who was recently appointed to that position, and who is a strong supporter of the new and progressive approaches to the organization of the customs service. He is deeply convinced that the purpose of the customs service should be aimed not at the person but at safeguarding of his interests.

[Golovachev, Dmitriyev] Nikolay Aleksandrovich, will the appearance of 15 sovereign states on USSR territory mean the existence of 15 customs services and the erection of barriers?

[Yermakov] As far as the national customs services are concerned, in my view, everything is quite clear: Naturally, they will exist. How can it be otherwise? If there are sovereign countries they must have a customs service. However, if you are referring to the erection of customs barriers among the former Soviet republics, let us be wary

of a grave threat: no error worse than that could be made, for it would totally destroy the economy of the republics. This is obvious.

Incidentally, this issue was discussed on two occasions with responsible representatives of the republics (on the deputy prime minister and minister level). Coincidentally, the first time we met several days before the coup; the second time was toward the end of September. On both occasions the view was unanimous: Customs barriers are unacceptable given the currently existing overall economic situation. Even republics which do not intend to sign the Union treaty were ready to assign their representatives to the customs-tariff council, to formulate a common policy within the single economic area.

A clear example is set by the European countries. They are moving at full speed toward closer economic integration. Meanwhile we, who already had achieved such integration in practice, are we now about to promote disintegration?...

Furthermore, in my view, by themselves the national customs services would be unable to ensure the economic safety and economic sovereignty of their republics.

[Golovachev, Dmitriyev] How do you conceive of the interaction among republic customs services?

[Yermakov] You know, this will largely depend on what will happen to the country. By this I mean the type of economic unification that will be adopted by the sovereign republics, for different kinds of unions may be chosen. I would single out six integration points. For example, this could be an economic union, a common market, or else a customs union.... We may also have partial economic units, free trade zones, or the establishment of economic relations for specific purposes.

Let us note that in worldwide practice economic alliances are very rare. Yet common markets with somewhat looser ties are a familiar feature. The European Economic Community is a typical example of the latter. The Community has a single customs territory. It follows a common foreign trade line. It has a unified agricultural policy and, finally, it coordinates activities in the transportation, communications, and standardization areas.

If we limit ourselves to this, we shall essentially have a common market. I see no obstacle to the participation of all 15 states in it. Most of the republics, I hope, will also agree on a unified monetary policy and strongly related currencies (or a single currency), at which point they would constitute an economic union. This option would be most advantageous for everybody.

Please note, however, that in either case a customs union would be the cornerstone which would enable us, within the single economic space, freely to trade in goods, and to apply uniform customs regulations.

The system we suggest is the following: Each republic would have its national customs service and, naturally, fees. In order to pursue a uniform customs policy, the member states of the economic (or customs) union would

set up a specialized authorized council on the deputy-prime minister level. It is precisely the customs council that would have the authority to make final decisions pertaining to all customs matters, which would be mandatory to the participants in the economic union. Finally, an executive authority, a coordinator, an apparatus for resolving problems common to all republics, would be required. Such functions should be implemented by an interrepublic customs committee.

[Golovachev, Dmitriyev] In that case, could there develop a propensity for the old diktat by the center, although somewhat camouflaged?

[Yermakov] There can be no question whatsoever of any kind of "diktat by the center." The word "interrepublic" is not part of the title for no reason. This committee must be strictly technocratic. Neither the customs council, as the representative authority, nor the national customs services could replace it. Furthermore, the experience of the European Economic Community indicates that such an authority is necessary.

Such an authority would be needed in drafting international and interrepublic accords, formulating draft legal documents adopted by the customs council, and conducting analytical studies and projections.... The creation of a standardized automated information system for all republics (statistics, tracking domestic and world prices, freight movements, struggle against smuggling, etc.) is very important. This is necessary in making strategic decisions in the area of commercial policy. The lack of such a system would mean working in the dark and losing hundreds of millions of dollars annually.

Finally, the customs committee would ensure the uniform application of customs regulations. It will train cadres and help with the organization of national customs services. Our area is very specific. It requires high level skills, yet specialists on a level consistent with world standards are very few.

[Golovachev, Dmitriyev] It is high time to turn from general problems to specific practical activities of the customs service. Last summer, former prime minister Pavlov demonstrated, once again, his extreme illiteracy. After ruining the country, together with his comrades, and having sold the virtually entire gold reserve and squandered 15 billion in hard currency, he decided to finish off our domestic market by introducing huge customs fees for all kinds of goods. However, even a high school student knows that if the store shelves are bare the customs policy should be such as comprehensively to encourage goods imports....

[Yermakov] As my answer, I would like to discuss customs rates exclusively. The contradiction between the economic situation in the country and the use of higher customs rates was obvious. Furthermore, a legal error, quite substantial in my view, was made. This order, which was issued by the former Main Administration of State Customs Control, was enacted as of 1 July. The same day, however, a new customs legislation was enacted. Accordingly, such decisions may be made only after they have been coordinated

with the republics. Naturally, subsequent to the decision, and having become aware of the situation, the committee chairman immediately ordered that the decision be rescinded.

[Golovachev, Dmitriyev] You abolished the higher customs fees, but the usual ones were retained. The policy of "not letting through" remains. Yes, cooperatives, joint enterprises, and shady merchants are accumulating substantial capital in foreign goods. All such goods, however (according to expert assessments, totaling hundreds of millions of rubles) are reaching our market, somehow supplying it. In the final account, anyone who does not want to buy does not have to. The role of customs obstacles, however, is harmful....

[Yermakov] I am unwilling to equate honest businessmen and entrepreneurs with unconscientious people, who are profiting from the difficult economic situation. As to customs barriers, our opinions coincide. Following a study of the situation, we drafted and we intend to submit in the next few days to the Interrepublic Economic Committee proposals on major changes in customs policy. We believe that in our present situation it is necessary to lift all fees on food, and prime necessity goods, including clothing, shoes, textiles, medicines, and some other items. The customs fees for a number of items, such as television sets, and video equipment, should be reduced substantially. Let me emphasize that it is a question of goods which are imported in large amounts, for purposes of resale. As to citizens who buy items abroad for their personal use, even today they can import customs-free goods of prime necessity, videos, television sets, and recorders.... Furthermore, we are proposing a number of other measures which would make it possible to saturate our market.

[Golovachev, Dmitriyev] What quantities of such items could be brought in without custom fees?

[Yermakov] In amounts which would satisfy the person or the family of the person's son or brother.... If such items are brought into the country for purposes of resale, customs fees should be paid, as is accepted throughout the civilized world.

[Golovachev, Dmitriyev] However, our customs regulations today are such that they frequently put the person in a strange, a degrading position. The republics are converting to market relations, we are discussing the convertibility of the ruble, and a number of joint enterprises are already paying in hard currency. As in the past, however, the customs officials remain stern-looking people in uniform, who see a "hard-currency dealer" (i.e., a criminal-smuggler) in anyone who may have in his pocket perhaps \$52 instead of the 50 allowed dollars, without a proper permit. An American can leave his country with as much as \$10,000 in cash, without having to explain anything. In the case of our people, however, thousands of various devices become necessary....

[Yermakov] I must point out that decisions on such matters must be made not by the customs service but on a higher level. It would be even better if our economy had made it possible for us to adopt the most liberal rules

possible. I am confident that in the not too distant future everything will fall into its proper place, the more so if practical efforts are undertaken to adopt a convertible ruble.

However, it is my profound conviction that it would be expedient as of now substantially to increase the amount of hard currency which a person could take with him without any bank authorization, but with a customs declaration. For example, it could be as much as \$500. We will make this proposal.

One must not suspect everyone of being a swindler or a criminal. If there are proof and facts, then the person should be prosecuted. To believe in advance that each dollar has been necessarily stolen is both insulting and inadmissible.

[Golovachev, Dmitriyev] In that case, Nikolay Aleksandrovich, we would like to ask you the following: The Moscow Commercial Credit Bank was given official authorization by Visa International, the international company, to issue hard-currency credit cards. It is permitted to deposit in the bank, shall we say, \$10,000, obtain a plastic card with a code number, after which the card holder may be given the required amount in Paris or London. In other words, one could transfer abroad any amount of money without control. For the time being this applies only to organizations, but in the future it will apply to any citizen. How do you feel about this?

[Yermakov] This will be fine. This is yet another example confirming that life is advancing faster than customs practices. We should sign the treaty on the economic union faster and reorganize the customs system. In short, we should adopt civilized methods. We shall not take credit cards away. Let business develop....

[Golovachev, Dmitriyev] Along that line, we would like to draw your attention to yet another degrading situation. At Sheremetyevo, or at any other international airport, the customs official may ask any Soviet citizen who has flown in from abroad to explain the provenance of the money he used to purchase items abroad. You just finished talking about human rights. Is this not a violation of such rights? If you have indications that this person is a swindler then detain him. But why should a person have to provide explanations about items he has purchased? Let us assume that the person says that these were gifts. Are you going to fly to Tokyo to check his story?

[Yermakov] You are right, but this is an echo of the past. A great many things will have to be changed in the very immediate future. We have drafted proposals and soon everything will fall into place.

[Golovachev, Dmitriyev] The borders will open and, assuming they have money, the people will be able to go abroad whenever they want, whether for business or simply for a visit. For example, on a Saturday or Sunday they could go to Finland, Sweden or Hungary.... Will the customs service be prepared to handle this situation?

[Yermakov] We are completing a project for significantly increasing the number of customs points. Currently there

are 216 along our foreign border. In the next six months to one year, according to our estimates, there should be a minimum of 312. In our view, it would be expedient to open additional customs offices on the borders with China, Iran, Turkey, or the west.... However, the solution of these problems depends mainly on the individual republics. Together with them, we shall ensure the efficient operation of these crossing points.

[Golovachev, Dmitriyev] Opening the borders would enable our workers and specialists to look for jobs abroad. Will they be allowed to bring their earnings home?

[Yermakov] Already now, when you return to the homeland, you can declare any amount of currency without having to show any supporting documents. All that the customs officials will check is whether you have that amount of currency. That is all....

[Golovachev, Dmitriyev] And will the customs official then report this fact somewhere else, to another organization?

[Yermakov] To us this is a basic question. We strictly observe the rights and interests of individuals. No information will be sent anywhere. The customs official will stamp your declaration, issue the respective document and, in general, no trace of this will remain. Incidentally, this document will be needed only for the sake of taking out that same amount of currency when going abroad, without any hindrance.

[Golovachev, Dmitriyev] One of the functions of customs is to prevent smuggling. What do you consider most important in that area?

[Yermakov] Drugs. With the development of market relations and the appearance of hard currency in the country and with the prospect of convertibility of the ruble, we should expect a strong entry of the international narcobusiness inside our territories. This is a major danger which must not be underestimated. I already mentioned this and will repeat it again. We need a commission on a high governmental level, which would direct and coordinate the activities of all services fighting this evil.

In conclusion, let me say this: Today we would like to become integrated within the world civilized community. This means that we must boldly march forward, rejecting old and obsolete dogmas and stereotypes, and subordinating everything to the interests of the individual.

### First Quarter Trade Balance Assessed

92UF0017A Moscow DELOVOY MIR in Russian  
No 181, 13 Aug 91 p 5

[Article by Mikhail Delyagin: "Limit of Patience in the Castle"]

[Text] This year, the foreign trade policy of the Soviet Union was subordinated entirely to solving one main problem: achieving a positive current balance of payments.

Only after overcoming this problem will it be possible to hope for restoration of the trust of foreign banking circles and, correspondingly, for receipt of new credits. The

question of credit long ago acquired a political coloring and was converted essentially into a question of preserving the existing system of management.

In reality, all the mistakes, blunders, and absurd undertakings of the last few years were compensated for by imports, which were paid for at first with petrodollars, and later, with credits. The obvious preservation of the Soviet Union's solvency (the negative trade balance that arose the year before last nearly doubled in 1990, amounting to 9.8 billion hard currency rubles) apparently violated the "limit of patience" of Western creditors and faced the Union leadership with a tough choice: either restoration of their trust, or a sharp reduction in credit and the need for radical institutional transformations, i.e., elimination of the distributors' power at all levels of the national economy.

The certainty of part of society's optimistic mood that the administrative system of resource distribution has been broken "once and for all" is, unfortunately, erroneous. For example, in agriculture to this day, just like 60 years ago, the party rayon committees predominantly engage in the real distribution of the basic mass of material and technical resources. Precisely these distribution structures form the social base of conservatism; they are the basic reason for the food crisis which is forcing the country, in particular, to take credits for the import of grain.

Being deprived of credits, the leadership of the USSR is deprived of the possibility of protecting these and other distribution structures. To delay their elimination is to cast the country into economic chaos. However, it cannot also eliminate the current Union government, since it itself is the largest distribution structure.

Consequently, it was more important for the central government to restore trust and receive credits than to work to stabilize the economy. After all, self-preservation ranks highest of all.

The Union leadership saw the maximum restriction of imports, in order to overcome the deficit of the current balance of payments, as a method of solving this problem.

It succeeded completely: For instance, for January-April 1991 the volume for the RSFSR was 14.9 billion rubles and had decreased compared to the same period in the previous year by a factor of more than 2, by 53 percent. Imports throughout the Union on the whole decreased by 52 percent.

The share of imports in the overall mass of goods delivered to the RSFSR consumer market exceeds their share in industrial and technical production by roughly a factor of 2 and varies from 6.5 percent for meat and meat products to 22-24 percent for shoes, knitted goods, and pharmaceuticals.

Today, there can no longer be any doubt at all that import reduction made a weighty contribution to worsening the situation in the consumer market in the first quarter of 1991. Of course, the panic which led to the actual elimination of state retail trade was sparked primarily by Pavlov's pretentious financial innovations and by the increase of retail prices, but were these actions in turn not

to a certain extent a consequence of the wide-scale reduction of import purchases? For instance, the reductions were 52 percent for fowl, 49.4 percent for butter, 56.0 percent for sunflower oil, 15.3 percent for sugar, 43.3 percent for coffee, 39.3 percent for tea, 61.1 percent for fruits, 62.6 percent for pharmaceuticals, 43.5 percent for knitted clothing and textiles, 76.4 percent for shoes, and 14.9 percent for furniture.

Whereas the share of imported resources for household, haberdashery, and jewelry items was 11.1 percent in 1990 (at current prices), it dropped to 2.1 percent in 1991.

In this regard, the maximum reduction of purchases abroad was observed precisely in those groups of goods on the import of which the population depends most highly.

In particular, the import reduction for cereal crops by 31.4 percent should be singled out: The grain shortage that occurred this spring as a result of this was employed by the center as a powerful lever for pressure on the RSFSR leadership.

The reduction of imports of equipment virtually removed from the agenda the question of modernizing the light and food industry, in which the share of imported equipment is 40-69 percent and reaches 80 percent for some types of equipment.

However, although the most tangible blow from import reduction hit the consumer market, we should not ignore its negative influence on the development of the national economy on the whole. In our country 20-25 percent of output, including 25-30 percent of consumer goods, was produced at the expense of imports in 1990.

Imported deliveries of industrial and technical production in the RSFSR alone were reduced in January-April: Ferrous metals were reduced by 69.1 percent, ferrous metal pipes—29.8, rubber—61.4, cellulose—64.1, newsprint—67.1, cotton fabrics—39.6, railroad rolling stock—66.3, ground transport facilities—73.0, and ships and floating stock—26.1 percent.

Such a scale of reduction cannot but be reflected in the lowering of macroeconomic indicators of the country's development. Specialists at the USSR Academy of Sciences Institute of Economic Policy concluded that the 10 percent decrease in the country's GNP in the first four months of 1991 was caused not so much by strikes as by the more than twofold reduction in imports, which had a decisive influence on destabilization of economic ties.

The reduction did achieve its goal: a decisive improvement in the current balance of payments. The positive trade balance of the USSR in January-April 1991 was 10.6 billion hard currency rubles (its deficit was preserved for the RSFSR, although it decreased to 2.9 billion hard currency rubles), while in the same period last year it was negative and equal to 8.3 billion hard currency rubles. The country's reputation as a solvent partner was restored for a certain period, and it is already receiving new credits.

However, I used the phrase "for a certain period" on purpose. While having an extremely negative effect on the

entire economy, the arbitrary reduction in imports also inflicted a tangible blow on the export sectors, whose dependency on imported equipment and parts is quite great.

First, the extraction of oil suffered from it, decreasing in the RSFSR in January-April 1991 by 17.2 billion tons, or about 10 percent. In this regard, the export of oil decreased by 14.3 million tons, or 42 percent. On the whole, the volume of output deliveries for export in the RSFSR was 12 billion hard currency rubles, and its physical volume dropped by 26 percent compared to the corresponding period last year.

The import reduction hit the export sectors like a boomerang and caused an export reduction, which "ate up" a significant share of the supposed hard currency receipts. If the policy of economy due to restriction of imports is implemented on the previous scale, the losses from bleeding the export sectors dry will rapidly overtake the gains received from such economy and will make continuation of this policy senseless.

In this sense, it seems instructive that even though imports began "to regain lost positions" in May-June (for the first half-year they were 47.7 percent of the previous year's, while for the first four months of the year, 53 percent), the

export sectors were unable to recover from the blow. The curtailment of exports continued: Whereas they had decreased by 13 percent for the first four months of the year, they were already down by 23.4 percent for the half-year.

As a result, the foreign trade balance for the first half year was 4.9 billion hard currency rubles.

As far as social consequences of the import reduction policy are concerned, these are seen most graphically in Romania's example, where Ceausescu's regime managed precisely due to it entirely to eliminate the state debt and... to make the population's life physically unbearable.

A few democratic traditions, as well as the effective resistance of enterprises and the population to the confiscation policy of the Union government, aimed at concentrating the basic mass of hard currency coming into the country in the hands of the state, enables us to hope for the impossibility of implementing the "Romanian variant" in our country.

However, future implementation of a "belt-tightening" policy at the expense of arbitrary import restriction is economically senseless and threatens to accelerate the degradation of the USSR economy.



**U.S. Approach to Defectors Viewed**

*91UF1152D Moscow LUBYANKA, 14 in Russian No 2, Apr 91 p 3*

[Unattributed article: "Defectors: How the CIA Regards Them"]

[Text] According to information in the American press, the total number of defectors from the USSR and the countries of Eastern Europe since 1945 until the present time totals nearly 750 people. And as THE NEW YORK TIMES reports, American competent organs divide them into three categories.

Defectors whom the CIA [Central Intelligence Agency] takes care of belong to the first category. Their number includes agents of the various intelligence and counterintelligence organizations of the countries mentioned above and also American intelligence agents from among local citizens. In accordance with Law 110 and the 1949 Law on the CIA, the Director of Central Intelligence, with the concurrence of the Attorney General and the head of the Immigration and Naturalization Service, can "in the interests of U.S. national security or in the interests of American intelligence" provide unimpeded entry into the country for up to 100 foreign citizens per year.

CIA departmental directives state that, if necessary, American intelligence must provide lifelong material assistance to these individuals (The annual payment totals \$30,000 at the present time). However, the referenced provision of the directives, as a rule, is not disseminated to the defectors. As one American intelligence agent stated, "these individuals will remain more complaisant if they remain uninformed about the duration of financial aid from the CIA."

Former diplomats, servicemen, and mid-rank state employees belong to the second category of defectors. Their allowance totals one half of the allowance of first category defectors.

The third category consists of low-rank state employees, sportsmen, writers and artists. These individuals are

deprived of material assistance and must independently provide for their own existence on U.S. territory.

The defectors have the right to acquire American citizenship. As a rule, they need to live on U.S. territory for no less than five years to do this. The CIA Director has been granted the right to petition for presentation of American citizenship to foreigners (not more than five people per year) who have rendered "invaluable services" to the U.S. Government after they have stayed in the country for one year.

The CIA, jointly with other American departments, is obliged to provide defectors with documents, to develop appropriate legends in required cases, and to take steps for their job placement. However, in practice, the majority of defectors have been compelled to independently find work for themselves. In so doing, only a few have been able to find a job that meets their inclinations and level of intellect and the primary mass of defectors are hired by small business enterprises. As a result, dissatisfaction with the CIA and other intelligence community organizations that "have cast them to the whims of fate" arises among many defectors.

A number of social organizations that are closely linked with the activities of the American intelligence services undertake attempts to alleviate somewhat the lives of these foreigners in the country. Among these organizations is the Jamestown Foundation. The foundation receives voluntary contributions from businessmen (but not from the CIA or other government institutions).

A memorandum sent by Foundation President W. Heymer [transliterated] in 1989 to both intelligence organizations contains critical comments. Specifically, it points out that the CIA, having "squeezed" everything possible from the foreigners, ceases to have anything whatsoever to do with them. In W. Heymer's opinion, these individuals are unique sources of information and analysts on the problems of the USSR and the Eastern European countries. "The fundamental transformations that are occurring in these countries do not reduce the value of defectors, rather, on the contrary,... These people are helping us and it is our duty to assist them."

**Industrial Company 'Elkem' Moves Into Soviet Market**

91UF1192A Oslo AFTENPOSTEN in Norwegian  
16 Sep 91 p 25

[Unattributed article—first paragraph is AFTENPOSTEN introduction]

[Text] Elkem With a Foothold in the Soviet Union The industrial concern Elkem gains a new foothold in the Soviet Union where it foresees many possibilities for the sale of technology, equipment, and services for the ferroalloy industry.

Elkem is concentrating on this plethora of possibilities in cooperation with S.A. des Minerais, a company registered in Luxembourg. The two companies have entered into an agreement of intent to establish a company—a so-called joint venture—called Elsumin, to be registered in Luxembourg and which will open a branch office in Moscow before the end of the year.

Elkem finds it impossible to predict, especially in light of the present turmoil in the Soviet Union, how extensive future sales through Elsumin might be.

"But we think there will be great future need for modernizing and renewal within the ferroalloy industry in the Soviet Union," said Bjorn Segrov, the information chief at Elkem.

He realizes that problems in financing might be experienced and emphasizes the fact that deliveries must be secured through western export guaranties.

**Competitors, but...**

Elkem itself is a large producer of ferroalloys and competes internationally with the Soviet industry to which the company now wants to sell equipment and services. But Elkem does not fear that the company will undermine its own competitiveness through such sales; it realizes rather that the Soviet industry will need supplies from abroad no matter what, whether from Elkem or from somebody else.

Elkem and Minerais separately can refer to long-term business relationships with the Soviet Union. Elkem delivered smelting furnace technology as early as the 1930's. During more recent times the company has worked on becoming a large scale subcontractor for a project to clean up industrial waste discharge from the Soviet Kola peninsula.

Also Minerais' activity in the Soviet Union, including co-ownership in two companies, goes back several decades. Seen globally, Minerais is a leading supplier of ferroalloys to the foundry and steel industries. The company is privately held and does not publish its earnings.

### Barter Operations To Expand

91UF1181A Moscow PRAVITELSTVENNYY  
VESTNIK in Russian No 35, Aug 91 p 11

[Commentary by government official V. Demchuk:  
"Imports for Waste"]

[Text] The government has decided to expand the sphere of activity adopted in June with an ordinance on commodity exchange transactions with Bulgaria, Poland, and Yugoslavia. V. Demchuk, deputy head of a department of the USSR Cabinet of Ministers, comments on this decision:

"Enterprises may now export to these three states not only finished products but also production waste and over-quota stocks of raw material, intermediate products, and semi-manufactured articles. Reality has revealed very rapidly that many enterprises which acquired components, spares, and other products thanks to centralized resources have been unable to import them since the state has no money for this purpose. It is for this reason that the range of products for export has widened appreciably.

"It should be considered that at a number of enterprises there is a great deal, say, of waste and that it has lain as a dead weight for years. There are also above-quota stocks of raw materials and intermediate products, which there is no possibility of using in the immediate future. So it is that in exchange for these resources our industries may obtain for themselves the necessary commodities from abroad, thereby avoiding an interruption in the production cycle. And it is this with which they have been threatened. In fact, the extent of exports and imports in the current year is far from what was planned. Only 15 percent of the annual volume of commodities was exported in the first half of the year to Bulgaria, 33 percent to Poland, and 21 percent to Yugoslavia. The indicators for imports are even worse: Only 12 percent of the annual plan was purchased in the same period in Bulgaria, or four times less than expected, 13 percent in Poland, and only nine percent in Yugoslavia! That is, intergovernmental agreements are being fulfilled very inadequately currently.

"It is understandable what a negative influence this is exerting on production processes. There are plants which are on the verge of total stoppage or which have already stopped. And this is not their fault but their misfortune: The state is not in a position to purchase overseas the products which were promised. This is why one further resource, which, we hope, will help us emerge from the difficult situation, if only in the latter half of the year, has been engaged."

### Further on WWII Massacres of Polish Officers

92UF0012 Moscow IZVESTIYA in Russian 27 Sep 91  
Union edition p 8

[Article by V. Reshetnikov: "How the 'Father of the Nations' Took His Revenge on Poland..."]

[Text] As soon as the crawler-mounted equipment crept out onto the capital streets, the leadership of the UKGB [KGB Administration] for Tver Oblast immediately suggested to the investigatory group of the USSR GVP [Main Military

Procuracy] that it should cut short its work on the partial exhumation of those Polish POW's who had been shot by executioners belonging to the NKVD [People's Commissariat of Internal Affairs].

On 19 August UKGB Chief Ladontsev notified Colonel of Justice Tretetskiy, who headed up the investigatory group of the Military Procuracy, of his wish to see him for a conference at his [Ladontsev's] place. Having guessed what the matter would be about, Tretetskiy set the following condition: his entire group would come.

The four investigators of the Military Procuracy were conveyed to the conference escorted by two "vehicles" filled with staff associates of the state security service. Lakontsev declared to the investigators that he considered their mission in the Tver forests to be at an end.

"Your work has lost its timeliness and urgency," he proclaimed, "and I'm no longer interested in it."

In this situation the investigators were compelled to remind this UKGB chief that they were not subordinate to him and that any order cutting short the investigation had better be coordinated or "cleared" with the leading officials of the procuracy. Then Lakontsev and his deputy, Popov, in order to add more weight to their viewpoint, had recourse to indirect threats. They informed the investigators that they would not guarantee their personal safety nor that of the Polish experts working with them.

After the conference Tretetskiy telephoned Moscow and informed his chiefs about the plans of the local UKGB leadership. The group received an order to continue working.

Nikolay Anisimov, chief of the GVP Division for Supervising Investigations, quickly journeyed to Tver. But it was already 21 August. The crawler-mounted equipment had crept back to its place of permanent abode. And upon his arrival in Tver, the only thing left for Nikolay Anisimov to do was to state that there was a most...favorable attitude on the part of the UKGB chiefs toward the investigation being conducted by the procuracy. Lakontsev, who had not once visited the excavations during all the time the investigators were working there, now suddenly manifested an enormous interest in these excavations. And Popov, the UKGB deputy chief—a few days after the remains had been reinterred—laid a departmental wreath on the grave of the Poles who had been shot here.

Now the investigation is nearly completed. The partial exhumation of the men who were killed has certainly shown the indisputable fact that these Poles were shot to death by NKVD organs. Thus, our Fatherland's history has been "enriched" by yet another evil deed, one which does sit at all comfortably in the consciousness of a normal person.

Today the only lacuna or "blank spot" in this matter is the original of the Politburo's decision to shoot 15,000 Poles. It was read out on 14 March 1940 at a Moscow conference of NKVD staff members from Kalinin (now Tver), Kharkov, and Smolensk oblasts. Not all the Chekists were "men of iron." One high-ranking NKVD official, upon

coming to understand that he would have to carry out this new decision of the Politburo, became ill right at the conference. Before the coup all attempts by the military procuracy to find this decision of the Politburo ended in failure. After the archives of the CPSU Central Committee were confiscated, hope of success began to appear.

There were 130,242 Polish military service personnel who became prisoners of the Red Army in 1939. On Beria's orders, 15,000 of them were assembled in three camps—near Katyn, Kharkov, and Tver respectively. They were the elite of Polish society. In the spring of 1940 they were all shot, and the evacuated camps—so as not to arouse suspicion among the local inhabitants—were again filled with Poles.

Only 53 NKVD staff members in all took part in these shootings. Those Poles sentenced to be shot, though they lived with the hope of imminent liberation, were "shipped" to the places of execution in railroad cars at the rate of one car a day. All of them (with the exception of the initial group, who were shot in a forest near Katyn) were killed in the indoor prisons of the UNKVD [NKVD Administration]. In Tver, where the investigators of the military procuracy have just completed their work, the prison or jail was located in the basement of the present-day medical-institute building. There, under the direction of State Security Major V.M. Blokhin, who had been sent there from Moscow (his rank corresponded to the rank of major general in the regular military service) 10 executioners were "working." They had been drawn from among Chekists from the capital and the locality. They killed at night—one person at a time. After the essential data were checked over in the "Red Corner" (or "Lenin Room") and being handcuffed, each Pole would be led into a room where an executioner was hidden behind a door. The shots were not heard in the rooms upstairs or on the street because a fan in the basement made a whirring noise all night long, and a truck was stationed at the exit from the basement with its motor running. Blokhin (who went insane during the 1950's and shot himself) personally took part in these nighttime shootings....

It is supposed that this was the monstrous way in which the "father of the nations" took his revenge on Poland for the Red Army's defeat near Warsaw. Stalin had been a member of the Military Council in Tukhachevskiy's army. There are also other versions, however, concerning the motives for shooting these Poles. A precise answer will evidently be obtained after the CPSU Central Committee archive has been thoroughly studied.

But as to the behavior of the UKGB chiefs during the three days in August 1991, the answer here is not so deeply hidden. The concept has not been excluded that these Chekists were not only trying to rescue the reputation of their own department, but also the USSR KGB dachas, which had been built here at the site of the mass executions....

### Small Trade Potential, Activities With Poland Examined

92UF0004A Moscow IZVESTIYA in Russian Union Edition 24-26 Sep 91

[Article in three installments by IZVESTIYA special correspondents N. Burbyga and S. Mostovshchikov: "Profession: Foreign Tourist—On Tourism as Socialism's Highest Stage of Development"]

[Text]—Since the procedure for crossing the Soviet border has become slightly less complicated, a completely new and extremely popular profession has come into being in our country—the tourist specializing in visiting countries that have recently rejected the ideals of building socialism. Trips, for example, to Romania and Poland in organized groups or by private invitation have become a second job for tens of thousands of Soviet citizens, one that brings in a fairly decent income. Riding in a private car, we decided to take a trip to Poland to experience ourselves all of the torments that our countryman suffers, having made the decision to sell whatever people will buy from him abroad, then buy whatever he can afford with the money his business dealings bring him. In other words, our experiment consisted of examining from within that process which, in the language of certain Soviet officials, is known as "selling out the Motherland."

[Union Edition 24 Sep 91 p 8]

### I. A LINE FROM THE VARANGIANS TO THE PANS

Moscow-Brest—The fortress that holds off attacks on Soviet borders by enemy hordes is no longer the main sight-seeing attraction in the heroic city of Brest. The memorial causes a stir when warm beer is delivered to the nearby cafeteria and is poured into customers' polyethylene packets—due to the lack of other containers. The main sight in the glorious city of Brest is a different border stronghold: The automobile crossing known by the name "the Warsaw Bridge," across which wild lines of Soviet citizens in cars and buses have been elbowing their way onto Polish territory for almost three years now.

The entire life of Brest and of the area within no less than a 50-kilometer radius of it revolves in one way or another around this incredible line that sometimes begins in the very center, beyond the seventh traffic light on the left, counting from the direction of the highway from Moscow.

Gasoline disappears in the approaches to Brest, and appears rarely in the city itself, although it is sold at commercial prices—2.10 rubles [R] a liter. While near the border, prices generally go up to a dollar and a half. All disasters and disarray, neglect and disorder, the disappearance of food for sale and rising prices at the markets, the increase in crime and the lapse of morality, dirty streets and stuffy air—local authorities tend to ascribe all of this directly to the appearance in the city of an alien organism—the line. And this is understandable, as in our country we are used to being told that there is no sausage because people have been buying too much of it.

But you don't know any of this when you show up in the city of Brest with a single goal: to leave it as soon as possible. You are a stranger to these mundane worries until the left turn at the seventh traffic light, until that moment when, coming upon the Warsaw Bridge, you suddenly feel that you cannot see the end of the iron line of tightly-packed cars gleaming in the sun. Only then do you understand the sense of what the person ahead of you in line has said: "Seven kilometers. If we could be at the border by Monday..." Sorrow and anger settle in your body because today is—Thursday.

However, as becomes clear fairly quickly, just as in any of our other lines, one can stand or not stand in line, but not that long. About fifteen minutes after our appearance, two cheerful young men proposed to move us several kilometers closer to the sacred goal for R600. By nightfall, the prices had crawled upwards and, when we were already getting tired, the sum had doubled.

We should, however, say a few special words about the prices for the line because this is the basic type of business conducted by the local population with people crossing the border. Judging by the conversation, it is mainly Brest taxi drivers or private drivers, romantically known here as the "mafia," who carry on the trade in places in the column of cars. The "mafia's" work is not that tricky, they take places in the very same line, the prices of which grow on their own with every day and every meter.

If the "mafia" doesn't feel like making a prolonged effort, then it, the "mafia," can just stand in line for a day and then palm off its place in line for R500 or so and go drink vodka. More patient specialists stand in line until the first signs of Soviet authority appear—GAI [State Motor Vehicle Inspectorate] posts in the form of patrol cars with people in militia uniforms milling around them. Here, we are talking about more serious amounts: R1,500 to 2,000, depending on the line, whose length fluctuates at various times from three or four to seven and more kilometers.

The next 150-200 meters cost different amounts, as it is exactly at this distance from the GAI post that the gates to the so-called buffer zone are located—the territory that was recently fenced off by customs officers in order to relieve the situation at the border a little. In the vernacular, this zone is known as the menagerie. Generally, the suggested analogy to a zoo is not just inspired by the netting that has been thrown up around the buffer cage. People who have lived several days in the line in front of the gates that let them into a corral are, indeed, in a bestial state. Any passerby in this area evokes the lively but not terribly healthy interest of the volunteer brigades that protect the inviolability of the line. The cars are packed so tightly here that nobody has any possibility to maneuver.

Money, however, is a great mover. For another 3-4,000 you can not only pass by the menagerie, but go straight into the so-called hole—the place where customs inspections are conducted and declarations are produced. The total cost of going directly from the end of the line to the border is R5-6,000 or \$200 American, without any guarantee of

avoiding varying degrees of bodily injuries or that your car will not require body work or new windows.

Judging by our observations, not very many people at all buy places in the line at Brest. It is mainly well-to-do foreigners travelling through Poland, Poles with money, or the rare fellow Soviets who live high on the hog. The rest prefer to tough it out all the way to the border along with everyone else.

We became acquainted with professionals who had already made the entire trip from the USSR to Poland and back five to 10 times. Wasting money on buying places in line, as they explained, is not to one's advantage. Any other way, there will be no noticeable profit from the trip. Usually, with a good share agreement, the profit is as much as R10,000 per person if, of course, you manage to cross the border successfully and then sell what you're carrying. You return with trading goods as well, but with goods that you'll be able to sell in the USSR. These are the simple mechanics.

We will tell about what is being brought into Poland and how it is sold separately. In the meantime, let's talk about how the hours, days, and nights go by in patient anticipation of the border search. Standing in line is a boring occupation, if not a melancholy one. The Soviet authorities periodically direct their attention to their assembled fellow citizens. About twice a day, a GAI patrol car runs along the line, while the protector of law and order driving it shouts at taxpayers in an inhuman voice through the "smut-spreader" he has been issued:

—Put your cars in a single line! Quickly! Do as I say!

Waiting for his order to be carried out, the authority moves off in an unknown direction, leaving the line one-on-one with the wilderness, strung out along the Warsaw Bridge. The exhausted people bathe in the wilderness when it is hot, and celebrate natural functions when they feel the need. They slake their thirst: For the 7 kilometer line there is one faucet with drinking water that the local health epidemiologists declared unsuitable for drinking long ago. There is nothing to eat either if, of course, you haven't brought anything with you. You can, it is true, go into the city. In order to do this, you must copy down the license plates of the two cars standing in front of you, attach your number to them and give it to your neighbor to the rear, so that no outsiders steal into the collective in your absence. However, there is, all the same, nothing to buy in the city: Just like everywhere else the shelves are empty.

If you are driving to Poland with another person, it is better to take turns sleeping at night: one person sleeps, while the other pulls on his neighbor's leg every two to three hours so he can wake up and move forward 25-50 meters—the column keeps moving anyway. In the evenings, you can spend the time in a relatively interesting way with a gourmet meal of stewed meat, sausages, hard-boiled eggs and vodka from the lid of a thermos, laid out on the hoods of the cars.

In a group of men, you can discuss all of the latest customs news—the line's entire 7-kilometer length finds out about

the most insignificant occurrences in its life instantly: today two customs officers were fired for taking bribes, and two militia men were fired yesterday. You can also dream a little about Poland and what it has to offer. You can help your neighbor push his car; he is saving gas and doesn't want to burn any before the border. You can talk with Poles who evaluate the political and economic state of the two formerly brother countries with a sense of humor: "Here, we have a mess but there—you have a fire in your mess."

In a word, you can do anything in the line. Only one thing is forbidden: pretending you're stupid when you're not. To the direct question: "What are you taking into Poland?" We would answer, almost truthfully: "We're just tourists. We're going to see what it's like there..."

"But what is there to see?!" our countrymen would say in surprise and, evidently detecting something wrong, would waste no more of their time on us.

And so, we decided to spend our time on a meeting with the head of customs in order to find out why there is an incredible and humiliating line in the city of Brest at the exit from the first workers' and peasants' state in the world. We spent an entire day at customs. But that is another story...

[Union Edition 25 Sep, p 4]

## II. IT IS A RARE IRON THAT MAKES IT TO THE CENTER OF THE BORDER

Brest—If there is anything surprising about Soviet power, it is the fact that under it, every morning, the employed population of the country goes to work to perform its official duties while still leading a dog's life. There are, apparently, two explanations for the paradox: Either the able-bodied portion of the population works poorly, or it is performing a large number of unnecessary official duties for money.

It is difficult to suspect the Brest Customs Office, or, to be more exact, the automobile crossing that we are describing in these notes, of lack of enthusiasm for its work. With a planned capacity of 1,200 automobiles a day, the local customs officers have come up with a way to process close to 2,500 cars and up to 100 tourist buses, which stand in line separately from "private persons."

The personnel work 12-hour shifts in automobile exhaust. Lately, three workers have suffered heart attacks, people are often ill, sometimes with skin diseases, and many are having problems with their vision. According to available data, after he retires at 60 years of age, the Soviet customs officer lives for a very short time, if, indeed, he makes it to retirement. For their labors, the government pays its employees R200-260 a month.

In a word, customs works until it drops, toiling around the clock to fulfill the mission entrusted to it by the state. This mission is pretty much the same and is well-known in all civilized countries. However, here, there is one, most significant difference. Our customs offices, in addition to

everything else, are the most important instrument for the establishment of social justice.

The most interesting thing about it is that this task is far from being the most gratifying job. It is as if Vyacheslav Osintsev, the 44-year-old head of the Brest automobile crossing customs office, and his 400 subordinates live on a powder keg. Vyacheslav Osintsev doesn't turn on his telephone at home and doesn't use his own car because people throw rocks and spit at the official car. As the head of customs confirms, he dreams of retiring and dying peacefully, so that he will never again see this line which has lodged, we suspect, in his vitals. It is not enough that every day 7 kilometers of people consider Osintsev to be their personal enemy; conflicts also occur with authorities at various levels. The latter accuse customs of being the cause of all of the problems in the city, the republic, and even the country.

Vyacheslav Osintsev is, however, a highly-qualified government official whose duty is to ensure that every (!) person crossing the border at Brest is examined by customs and to make sure that this person carries out of the Soviet Union only what is permitted. According to the regulations that were in use as this report was being written, each of our citizens could bring the fruits of socialism with him across the border in the form of up to R300 worth of manufactured goods and enough food for the trip.

It would be interesting, of course, to find out where this number came from. But much more interesting is the fact that even with this permission, it is practically impossible to bring anything out anyway. According to the list of goods that cannot be taken out of the USSR, the border is closed for any appliances that plug into an outlet, and for any products that are considered to be in short supply here. And everything here is considered to be in short supply.

In complete compliance with this truth, Vyacheslav Osintsev's 400 subordinates in actuality act as commodities experts of the highest class. We spoke, for example, with Valeriy Andruk, an experienced, as they explained to us, specialist in Soviet customs who now holds the position of senior shift official. We spoke with Valeriy while having a smoke at the booth by the cars that had been turned inside out by Valeriy's colleagues. Valeriy had a portable radio and a desire to share the secrets of his "computing" trade in manufactured goods taken out of the USSR in violation of the regulations, in addition to contraband, arms, and drugs.

"Valera [diminutive form of Valeriy], can you tell immediately if its worth searching someone's car or not?" we asked.

"I can."

"How?"

"I can tell by the eyes," answered Valera.

God, how wonderful you are, oh science of psychology! A glance at the eyes and a Soviet is already invited to leave an iron, a juicer, vodka, a taxi meter, an electrical meter, a television, a bicycle, rope for tying bales (because even

now, there is not enough for the agricultural workers of Belorussia), a camera, meat—because in Brest it has disappeared from the stores, and already costs R25 at the local market—Dikhlofos [insecticide], perfume, make-up, wood-working equipment, the game “Behind the Wheel”, curling irons, a tennis racket, an electric soldering iron, a bunch of zinc buckets, a mournfully bleating nanny-goat, chantrelle mushrooms, a floor-polisher, a gas mower, Diksan laundry soap, a carburetor, Kosmos cigarettes, and also the effective substance “Titanik” that is used to dye hair a radical black color... And so on, and so forth.

Some people yield up their forbidden goods in an open deal at customs. Those who are more experienced begin passing through the customs check several times, rubbing elbows with various specialists. The customs officers are talked at for 12 hours, that is, they are offered bribes over a period of 12 hours. In other words, a real war is taking place at the border between Soviet man and his Motherland, which has declared irons and coffee grinders, record players and riding breeches to be unexportable national property.

There are losers in this war, but there are also winners. And not a few. Experienced people (even the customs officers, themselves) admit that, despite the system of prohibitions, now you can get anything you want across the border—even a bald devil. Get it across, so you can go back and play the same game again with your country of residence. But you are already playing with different rules: you have to prove that you are bringing home not more than R2,000 worth of stuff. It is this number that for some reason marks the line between a law abiding income and illegal gain. Beyond 2,000 they start beating duty out of you, so that you don't, God, of course, forbid, make easy money on deficit goods, especially imported ones.

There is probably some sort of logic to all of this: aren't people working around the clock to earn heart attacks, spoil their vision, and suffer from skin diseases for the sake of something?... Yes. All of this is taking place for the sake of the very same socialist ideal whose formula has changed very little in recent years: take everything the hell away and divide it up. The only thing that has changed is the fact that before, there was at least something to take away, and now the only thing left is irons, and they, too, seem to be dying out.

But why is all of this happening here, why does all of this insanity in Brest take place? Vyacheslav Osintsev has his own answer to this question, with which, perhaps, the majority of his colleagues will agree: Because the government was too quick to open the borders.

And Vyacheslav Osintsev is right in his own way, the same way that the conductor of a long distance train, when asked why the fast train is five hours late, answers: “Because it moves slowly.” As right, probably, as we will be if you ask us why almost everyone in the Soviet Union is poor. And we will answer: “Because there aren't very many rich people.”

[Union Edition 26 Sep 91, p 6]

### III. DIKHLOFOS FOR PANI KOVALSKA

Byelostok-Warsaw-Lodz-Poznan-Legnitsa-Vrotslav-Cracow-Lyublin-Byalopodlyaska-Moscow—In the Republic of Poland there are certain cities that Soviet citizens especially like to travel to for the purposes of trade—Byelostok, Byalopodlyaska, Lyublin, Warsaw, Lodz and probably Cracow are convenient in that they are located relatively close to the USSR border and accordingly do not require expenditures of large amounts of gas in order to come into contact with the fruits of our neighbors' rather speedy parting with the ideal of building socialism.

However, you can buy a road map at a kiosk and touch your finger to absolutely any place to become convinced later of the fact that the foot of one of your countrymen has already trod here. It is not at all hard to find familiar faces in Poland. All you have to do in any city is ask the first pan (or pani) you meet: How do you get to the market? And you will end up in some sort of a stadium, a specially fenced-off square, or an ordinary vacant lot set aside by the local authorities for market trade. And, as we say—on the fly.

It is best to get to this market late in the evening, at around 2200-2300 hours, when cars with Soviet plates drag themselves in and their owners, having turned out their lights, are eating canned food with great appetite and getting ready to go to bed so they can get up at 0500 or 0600 in the morning to begin unpacking their products. At that time, you have a chance to hear an instructive lesson on “Introduction to Bazaar Behavior.”

Our first mentor was a person by the name of Vova from the city of Mogilev, whose confident personality breathed remarkable experience and a half-kilo consumed an hour before.

“The main thing, boys, is for the guy to be wearing glasses,” Vova from Mogilev said to us, poking his finger in a paternal manner at the portrait of Polish composer Stanislaw Monyushko depicted on a 100,000 zloty note. “As many zeros as possible. First of all, look at the guy. They, the Poles, work like this: They tack two more zeros onto the thousand—and that's that. You, if you don't know what's going on, won't have a clue. It's true that the zeros they tape onto this guy, or the other guy who's on the thousand, do tend to slide onto his forehead. So it turns out that he isn't wearing glasses, and he has zeros on his forehead... And you, if you're stupid, don't know: Maybe that's how it's supposed to be. And they'll stick you with the counterfeit note. There you are. So the real 100,000 is the one with the four-eyes on it.”

We were good listeners, and Vova unfolded to us the underpinnings of the complex market life. Never leave your car unguarded anywhere, even for a second: In broad daylight people will break in and carry off everything they can find. Definitely count your money as soon as they give it to you, because “there's a sucker born every minute.” Never take your eyes off the goods, because they'll haul

them away right under your nose, you won't even have time to blink. Tomorrow at dawn we have to split, because this parking lot starts charging money at six in the morning. We'll squeeze ourselves in over by that fence and lay everything we have for sale out on the hood, that's how it's done. And they won't chase the car away; it's like a sales booth.

"Do you have anything good?" concluded the lecturer from Mogilev in the voice of an expert.

"Well, we...you know..., we want to buy something," we explained. "Jackets for our wives, toys for the kids, beer for us. Do they have beer here?"

"Beer?" Vova repeated, in the voice of a man who has just come across two mental cases. "Yeah. A big hello to you guys. And tell your wives that they married cretins. Let them come here themselves to barter a little and buy something that they can sell for a profit in the Soviet Union, and then they can look for jackets that are better than the shit that's sold on the fly. And I'm going to bed."

We decided not to say anything to our wives about cretins, but these first instructions were enough to make us understand that the absolute majority of Soviet people do not go to Poland to buy things for their families and friends. Gifts, of course, are provided for in the program, but the main thing is that the operation, as we non-economists have imagined it, takes the form of the following formula: money-goods-money-goods-money. We weren't about to ask Vova from Mogilev if our model was correct. He, most likely, would have told us what we could do with our model. Vova had mastered the concept, without having scientific theories in his head of how to obtain through travel abroad R7, R8, and even R10 of pure profit for every ruble invested on USSR territory.

The most reliable product is considered to be vodka, which costs R10 here at government prices, and goes from hand to hand in Poland for 30,000 zlotys a half-liter. Two bottles are almost enough, for example, for a pair of Pyramid jeans, which half of the Soviet Union is already wearing, but which cost R300 a pair in commercial stores.

However, transporting large shipments of vodka is dangerous—at the border, real war has been declared on this, and there can be serious unpleasantness at customs. At Polish customs, as well. Under the threat that they will no longer be allowed into Poland, Soviet tourists have started carrying vodka less frequently. The main type of income that can be gained in this manner is through the sale of whatever knick-knacks you can get out of the USSR.

The gifts of our land, generally speaking, look pretty miserable. Even at the bazaars here. Set off from the main market, in rent-free areas, on stairwells, arrayed on folding stands, you will immediately recognize those orphan pieces of soap, bottles of Dikhlofos, packs of cigarettes, pots, bras, buckets, mixers, watches, insect repellent lotion, placemats, telescoping fishing rods, and so on and so forth. Some manage to get higher-quality, more attractive products out, and some don't. But, all the same, the

impression is one of neglect when imposed upon a background of abounding bananas and kiwi-fruit, Japanese technology and good dishware, on the fact that everything a soul deprived of a large portion of life might desire has appeared in Polish stores over recent years.

But Poles go to the markets happily: Prices there are significantly lower than in the stores. Soviet goods are generally two or even three times cheaper. And so, practically everything our fellow citizens have to offer is eventually bought up. Whether they will be able to stay at the Polish market is another matter. Buyers there are becoming more and more picky with each passing day. Last year, pots from the USSR sold with great enthusiasm. This year, a pani will think about them and barter. Prosperity is a capricious joke.

Those of our countrymen who are involved in more serious business than the sale of Dikhlofos are more optimistic. As they told us, for example, sales of our cars in Poland have good prospects. They are marketed in this way: Completely new automobiles are driven from the USSR into Poland using power of attorney, against which customs has no recourse. The cars are sold here, while their drivers return home by train. It is even easier to do business with a Pole who will go to the USSR, himself, to get the car. It is all accomplished with amazing ease. The buyer goes to the USSR and copies down the engine, body, and chassis numbers of his future purchase. In Poland (at the housing administration, not at the GAI, like at home), he obtains numbers and a technical certificate for the allegedly already purchased car, which he does not show to the housing administration. Then—back to the USSR, where, after calculating the "taxi fare" and putting on the Polish license plates, he turns around, key in ignition, and is off—full speed, for home. ... The pimps are also rushing over here, running prostitutes into Poland. But you can sell tractors instead of women. This too, as it turns out, is not all that difficult if you have, of course, the appropriate connections. Let's say someone wants to buy a tractor from you. Great! All you have to do is find a tractor somewhere and then negotiate with Poles working in the USSR to drive the steel steed home to the motherland, for a certain price, as their own acquisition (foreigners working here on contract are permitted these types of purchases and easy breaks when they cross the border). The rest is a matter of technique.

In a word, if you have half a brain, you can make some money. But what do you buy with it and what do you bring back home? Well, practically everything, from socks to a used Mercedes. Kids from the Baltic, for example, choose Pepsi or other cold drinks. But—in plastic 1.5-liter bottles. Let us explain: One of these bottles costs 10,000 zlotys (about a dollar) in Poland, and sells in Latvia for R60. And why not? After all, Pepsi is, indeed, the choice of the new generation. And Vova from Mogilev chooses something different. Everyone can participate actively in this election.

The only reasonable question here is: Why?



Why should one seek out Dikhlofos in the USSR for the sake of socks? A tractor for a Mercedes. A bicycle for Pepsi. A fishing rod for a denim jacket... And why, finally, should one go off to Never-Never Land on wild and humiliating adventures? There is just one remotely intelligent answer: If someone is selling something, someone else buys it. And there are no losers. Besides the state, which is in no condition to offer its citizens what they need where they live. Or to give them the opportunity (where they live) to legally earn large amounts of money.

### **Bulgarian Socialist Party Seen as 'Cultured, Attractive'**

91UF1211A Moscow PRAVDA in Russian 23 Sep 91  
Single Edition p 5

[Article by PRAVDA correspondent L. Kuznetsov:  
"Socialists Are Not Jumping 'Ship'"]

[Text] Sofia—First about a letter to PRAVDA. It was sent by Lyubomir Kyuchkov, deputy chairman of the Bulgarian Socialist Party (BSP) Supreme Council. He sends congratulations on the appearance of a reborn independent PRAVDA. The editorial office has received also an account of the election platform of Bulgaria's socialists with the request that it be brought to the notice of all forces in the Soviet Union which share socialist ideals and remain loyal to the best traditions of international movements of the left.

We publish the observations of our correspondent in Sofia on the present-day life of the BSP.

### **The Political Party: A Detached View**

Only yesterday I saw in a store window on Vitosh Street a wedding dress of indescribable beauty. It may be viewed today also. But only through a grille. Many stores, offices, and restaurants in Sofia have "adorned" themselves of late with iron-bar "lacework." A popular Bulgarian commentator has written even about the emergence of a "siege mentality"—the transition to the market economy is being accompanied on the one hand by a decline in the living standard of considerable numbers of the population and a growth of crime and, on the other, by the appearance of new people of wealth or those who have emerged from clandestine activity who, fearing for their property, are putting more reliance on iron bars than the police.

The state of society and its problems may be judged by many features and characteristics. It is legitimate in this case, I believe, to discuss the extent of individual confidence. Man acquires it in himself via spiritual and physical conditioning and the acquisition of an education, a profession, and a trade, via his career position and bank account and with the aid, finally, of a lock or grille. But among the serious means, large and small, of the assurance of confidence an important place is occupied by political parties and public and religious organizations. Even millionaires unite in groups and clubs and societies. Of course, sitting in the opulent Rotary Club surrounded by people of like mind, the prosperous individual feels even more at ease, safer, and more confident. What, however, about the ordinary man?

He is not admitted to the Rotary Club. The ordinary man needs other clubs, organizations, and parties, of his own. And the more members they have, the more profoundly they believe in the ideals of what is good, mutual assistance, and justice, the more precisely and fully these values are reflected by the program and rules, and the wiser and more farsighted the leadership, the better and more confident each person who joins feels. The Bulgarian Communist Party was one such party. From the very outset it was formed (and this was more than 100 years ago) as a party of the working people.

In its final years the Bulgarian Communist Party numbered approximately 1 million persons (the population of the country is just over 9 million). Today its successor—the Bulgarian Socialist Party—has 520,000 members: 440,000 of these are former members of the Bulgarian Communist Party, and 80,000 are people who joined what is now the Bulgarian Socialist Party.

The huge building which earlier housed the Bulgarian Communist Party Central Committee, but today the Bulgarian Socialist Party Supreme Council, has also been "scaled down" since 10 November 1989—the large shining five-pointed star has been taken down from its 18-meter spire. Decapitated, as it were, with blackened bald patches—the traces left by the arsonists—it evokes depressing thoughts. I cross the threshold. I feel like I have entered a shrine, a rich cathedral when no service is being conducted. Polychromatic mosaics, marble, gypsum, wood paneling, stucco molding. Profound quiet. Tightly closed huge doors of offices edged with marble—there is no life behind them because there is no one there: the administrative machinery has been cut also.

But there are other offices, and the most important of them is the Bulgarian Socialist Party clubhouse—premises occupying virtually the entire first floor of Party House. Here people are working, thinking, conferring, and arguing. There are at the entrance to the Bulgarian Socialist Party headquarters no sentries, no security, no inspectors. The doors are open to everyone. All this immediately alters one's first impression. Just like the red flag of the party fluttering above the roof without the shining star, which, in addition, has not disappeared without trace but has left behind it a starlet on the flagstaff. Hence the ship is afloat. And its crew, sharply increased thanks to "sailors," in position.

What can be said about the Bulgarian Communist Party following conversations in the house beneath the red flag? Briefly, the following: The party remains a mass party, but it still has insufficient young people. It won the parliamentary elections, but has not yet wholly mastered the art of parliamentary struggle. It is standing firmly on its feet, but is taking extremely cautious steps forward.

But this by no means points to timidity or lack of confidence. It is circumspection rather. It has been caused by a desire to carefully analyze, without haste and prejudice, the past and lend an attentive ear to different opinions, which are frequently taken as signs of division. Yes, there are various sentiments in the party. The exponents of some

are still putting their hopes in the old, but, in their opinion, ever-young, slogan: "We Are a Force Because We Are Many!" Some people are going to the other extreme: not having withstood the blows of reactionaries, they have begun to talk about the possibility of self-liquidation and about voluntarily yielding power and leaving for the secure trenches of the opposition.

There is nothing so terrible here in principle: progress has many paths, there is no one single universal path, and this applies to socialists also. Hence it is necessary first and foremost to overcome the instinct connected with the fear that the presence of ideological currents in the party necessarily means its division. "Not at all necessary," the present thinkers of the new party generation argue. They have caught modern world trends well and analyzed the experience accumulated in Bulgaria and also the experience of the overseas movement of the left. They are reaching the conclusion that, yes, ideological currents may exist. But they afford, after all, an opportunity for various alternative solutions. It is impossible to make progress without this. The main thing is preserving political and organizational unity. Without this plus a clear and timely response to the rapidly changing situation excluding even signs of sluggishness and passiveness it will be impossible for the BSP to solve life's fundamental questions. One of them today is transition to the market. And, in this connection, determination of the position and role of the party.

Members of the BSP are worried primarily by the ideological, moral aspect. They are put on their guard by the appearance of forces which are today advocating a one-sided reorientation of the economy. To give everything a proper name, the establishment of capitalism, prewar capitalism, what is more, which was distinguished in Bulgaria by particular savagery and brutality. There are known instances of managers of enterprises (and former members of the Bulgarian Communist Party are encountered among them also) deliberately ruining them. They are in this way "proving" the "unprofitability" of the plant, factory, workshop, and restaurant. After this, an auction is staged. The enterprise passes into the ownership of its former director. A year later he is a legitimate millionaire.

We now learn from certain newspapers and journals that to be needy and poorly off is the height of amorality and ignominy even. And the accumulation of riches (in what way is immaterial)—this is a manifestation of high morality. Whence it is but a short step to the approval of laws of social careerism—you have ruined and destroyed a competitor and had from another the shirt off his back and have thus increased your capital—honor and glory to you!

Can the BSP close its eyes to this! If there is no resistance to the proponents of violence and exploitation in any, even an ostensibly noble, modern, more precisely, fashionable, form—the working people being repelled consequently—what confidence can there be in such a party?

But on this question I clearly detect optimism. There is in it faith in the wisdom of the collective intellect, in the healthy forces of the party.

The BSP is today advocating the best that has been accumulated in the century of experience and continuity, but not identity, not an identification with the past, not a clichéd repetition of previous programs. The following program, for instance, is working for the future today: There is no democracy without social safeguards, and there is no socialism without guarantees of democracy. Such an approach together with a break with stereotypes will attract the young people. For it signifies toward all else a renunciation of the outmoded bipolar or, as people still say, black-and-white thinking, which today appears poverty-stricken and which, furthermore, this being natural, presupposed political confrontation and denied dialogue and compromise.

The role of the individual, the leader, has somehow been quite forgotten behind the exposure of the cult of personality, chiefism, and totalitarianism. And it was surprising, unexpected even, for me to hear that many Bulgarians are remaining in the party and continuing to join it for the added reason that they are impressed by today's leaders of the BSP, who are distinguished by erudition and a knowledge of problems in the most varied walks of life.

"Here, incidentally, is an illustration of the call for all that is best to be taken from the past," Z. Dylbov, rank and file member of the BSP, told me. "A return to the good traditions is under way. Who was the founder of the party? Dimitr Blagoev. Distinguished by an astonishing attraction to science and learning, he continued his education in the faculties of natural sciences and law of Petersburg University. And Ivan Khadzhiski—an active participant in the communist movement, a Marxist, and the author of many scientific works, including the book "Social and Spiritual World of the Bulgarian People!"

And how pleasant it was to read in an article by a well-known Bulgarian commentator: "The BSP is today headed by the most cultured and attractive leadership...."

It is this leadership which has today put forward a program of the peaceful transition, without animosity and envy and with the assurance of civil and national harmony, to a democratic, humane, and civilized way of life. Is this not a guarantee of man's freedom and his right to labor, happiness, and confidence in the future!

### Cash Trade With Soviet Union Proving Problematic

92P30004A Beijing GUOJI JINGMAO XIAOXI  
[INTERNATIONAL TRADE NEWS] in Chinese  
3 Sep 91 p 2

[Text] [Editorial Report] According to the 3 September 1991 edition of Beijing-based GUOJI JINGMAO XIAOXI, a newspaper sponsored by the Ministry of Foreign Economic Relations and Trade [MOFERT]'s Institute of International Trade, China should adopt a more flexible, diversified approach towards its trade with the Soviet Union. This is because cash trade between the two countries has come to a virtual standstill since the new Sino-Soviet trade agreement calling for a shift from barter to cash trade went into effect at the beginning of 1991. The shift from barter to cash trade has had a major impact on some of China's export producers who have seen their trading activities with the Soviet Union come to a halt. The few Chinese foreign trading corporations that have signed contracts to supply goods to the Soviet Union have been reluctant to deliver their supplies as their Soviet partners have consistently delayed issuing them letters of credit.

Despite the new trade agreement, an "open-ended" form of barter trade known as evidence account trade [whereby the two sides agree to balance sales and purchases over a period of time, normally 2 to 5 years, and the Bank of China keeps record of trade between the two countries] is still the predominant form of bilateral trade. In mid-June, China hosted the second round of Soviet and East European trade negotiations in Harbin and concluded export contracts worth \$2 billion of which only \$100 million or 5 percent will be carried out on a cash basis. The remaining \$1.9 billion or 95 percent will take the form of evidence account trade. The article stated that both sides have products sought by the other, and since both sides, particularly the Soviet Union, are short of cash, this form of barter trade presently appears better suited for the two countries' bilateral trade.

Noting that 60 percent of the 156 large-scale projects set up by the Soviets in China during the 1980s are now "backward" compared with their counterparts in the Soviet Union, the newspaper also recommends that the two sides establish economic and technical exchanges to upgrade the projects in China in addition to setting up joint ventures, contractual joint ventures, labor cooperation, engineering contracts, import processing agreements, and engaging in compensation trade.

### USSR-South Korea Joint Ventures Described

92UF0016A Moscow DELOVOY MIR in Russian  
No 206-7, 14 Sep 91 p 6

[Article by Aleksandr Zhebin: "USSR-South Korea: Closer to Each Other"]

[Text] "Moscow"—the name of this restaurant has still not managed to make it into the guidebooks of the South Korean capital. It opened for business in December 1990, at the time when No Tae-u, the President of the Republic

of Korea (ROK) had set out on the first official visit to the USSR. After "Moscow" other restaurants featuring Russian cuisine flung their doors open wide: the "Kremlin," "Leningrad," and even... "Gorbachev." In these facts—although, admittedly, they are not the most important ones—I already see the interest in our country which has grown up among South Koreans.

In the opinion of Chong Chae-mun, deputy chairman of the National Assembly's Committee on Foreign Policy and Association, economics lies at the center of this interest. He considers that setting up an industrial base in the Soviet Union, Central Asia, and the Far East by the joint efforts of our two countries could turn out to be extremely profitable for both of us.

All these economic interests and, furthermore, the hope for even better times, could explain the fact that—even though their dealings in the USSR have been quite modest—such gigantic concerns as Hyundai, Samsung, Lucky Goldstar, and Daewoo are spending enormous sums to maintain their own representative, i.e., branch, offices in Moscow.

And, it must be said, their ability to initiate and carry on extensive business matters with good future prospects has already yielded some quite good results. Thus, for example, the above-mentioned Lucky Goldstar, which is the largest South Korean firm exporting electric and electronic items to the USSR, has begun to establish joint enterprises in Russia, Kirghizia, and Uzbekistan. Lucky Goldstar is also participating in the construction of a Soviet-South Korean trade center in Moscow, and it is interested in setting up other facilities in the USSR with the help of firms from third countries.

Many business circles in the ROK have spoken out in favor of a multilateral participation in plans to develop the resources of Siberia and the Far East. In contrast to some of our other partners from this region, what we observe here is a high degree of harmony, i.e., agreement, between the government and businessmen for a more active development of trade and economic ties with the USSR. At the government level this striving has been specifically expressed in the decision to grant our country credits amounting to 3 billion dollars.

Those statistical data which were presented to me when I was in South Korea speak for themselves. Whereas in 1989 the volume of reciprocal goods turnover amounted to a value of 600 million dollars, in 1990 this figure was 889 million. And for the first half of the present year it was 523 million dollars, which is 42.7 percent more than the corresponding indicator for the analogous period of last year.

It is intended that the practical work of setting up contacts on the non-governmental level be carried out by the Korean-Soviet Citizens' Exchange Society, which was founded last year in Seoul. By the way, it was headed up by Yi On-su, the honorary chairperson of the Association of Korean Businesswomen. "Our society's plans," she told

me, "include organizing 'get-acquainted' trips by representatives of business circles, scientists, scholars, and cultural figures from both countries, as well as conducting fairs and exhibitions."

In talking with politicians and businessmen, I attempted to understand what they viewed as the main thing in the cooperation between our two countries. Many of my fellow-conversationalists expressed a desire to obtain access to the achievements of Soviet science and technology in those lines or fields in which our science and technology are at the world level of standards. What they talked about, in particular, included aerospace and laser technologies, biology, and the creation of new materials. The organization of the Korean-Soviet Center for Scientific and Technical Cooperation in Seoul was a practical step in this field. There are also plans to set up just such a center in the Soviet Union.

I likewise found out from South Korean businessmen that the United States and Japan are in no hurry to share the latest technological secrets with their emerging competitor. They limit themselves to transmitting yesterday's innovations, or even those from the day before yesterday. According to data published at the beginning of 1991 by the Korean Institute for Development, South Korea's technological level at the present time is somewhere around 70 percent of the level of the industrially developed countries. In the production of computers and software programs for them, as well as planning and designing telecommunications equipment, this indicator varies between 20 and 50 percent.

One of the reasons for this technological or engineering lag is that South Korean companies spend—on an average—1.9 percent of the amount of money gained from sales on research and development. By way of comparison, American companies spend 3.5 percent, whereas Japanese companies spend 3.14 percent for these purposes.

It may be, therefore, that South Koreans are dissatisfied with the quality and design of the electrical and electronic household appliances being produced in their own country, and that they consider them to be significantly inferior to the analogous foreign models. It is not by chance that the prices on such products are lower than they are on Japanese, American, or Western European products. However, our own customers can so far only dream that we will finally develop production facilities to turn out even such "low-quality" equipment.

In summing up my own impressions of the trip which I took to South Korea, I would like to quote the words spoken by a renowned South Korean businessman who has 10 years of business contacts with Soviet partners. He is Kim On-to, the president of Jindo—the first company which established an SP [joint enterprise] in Moscow. "What we must do," he emphasized, "is to make a more rapid transition to a market-type economic system, to make it more widely possible for people to realize their

own personal potential. When this is accomplished, both states will become closer to each other."

### Prospects for Improved Sino-Vietnamese Ties Assessed

92UF0008A Moscow TRUD in Russian 24 Sep 91 p 3

[Article by TRUD correspondent A. Kalashnikov: "Possibly They Will Become Friends Once Again"]

[Text] Hanoi—It appears unnatural, perhaps, when two neighboring countries, which despite everything adhere as before to the socialist choice, still get along badly with one another. Relations between them have not been normalized since the border war erupted in 1979. But now the situation is changing.

Nguyen Manh Cam, foreign minister of the Socialist Republic of Vietnam, recently paid an official visit to the PRC—the first at such a level in recent years. He negotiated with his Chinese counterpart and met with Chinese Prime Minister Li Peng, and, as a statement for the press says, the negotiations were held in an atmosphere of friendship and mutual understanding.

The parties confirmed their mutual desire to restore neighborly relations.

The conflict between the two countries was born of the events in Cambodia, where in 1979, with the aid of Vietnamese forces, the Pol Pot regime was toppled, which was not to the liking of the Chinese, who were supporting him at that time.

A solution of the Cambodian conflict has now, in the course of lengthy negotiations, become possible, and this, as the Chinese side has emphasized repeatedly, is the main condition for the restoration of normal relations.

True, other unsolved questions remain—disputed territories, specifically, islands in the South China Sea, and the position of persons of Chinese nationality—the "Hua-qiao"—in Vietnam. But they are perfectly soluble.

Of course, the change in the USSR's foreign policy priorities and the sharp cutback in our previously appreciable assistance to Vietnam have also forced this country's authorities to seek new allies for themselves. "More friends, fewer enemies"—we may thus characterize the pragmatic approach adopted by the Vietnamese leadership in international affairs.

In the course of the negotiations the Vietnamese and Chinese sides agreed on the development of trade and economic cooperation and transport ties. Since 1979, for example, the "Friendship" border crossing in Lang Son Province, which prior to this had been very lively, has been practically unused. But a destroyed section of the motor highway leading to the border has recently been modernized. It was this which was used by the delegation headed by the SRV foreign minister to travel to China.

A couple of years back, come to that, the border was "opened" by Vietnamese and Chinese merchants. Some way off from the "Friendship" crossing thousands of barefoot "coolies" tramped the red clay on the slopes of

the low hills separating the two countries, laying a simple path across the border. With a yoke, called in Vietnamese a "ganh," on their shoulders, the hardy and modest people carry across hundreds of kilos of freight in a day.

Although no agreements on border trade have been concluded as yet, the authorities are not impeding it on either side, and Chinese consumer merchandise, beer, and apples have in a matter of moments filled the market of Vietnam, right up to its southern borders. The commodity turnover is put at several billion dollars annually. As the Chinese

press maintains, there are already more than 200 border checkpoints, and over 20 cities and provinces of the PRC are trading with Vietnam.

A visit to China by a top-level Vietnamese delegation is expected before the end of the year. Even more ponderable agreements may be expected then. But will the neighboring countries become allies, friends? The difficult history of the relations of Vietnam and China, the mutual grievances of recent years with their roots in the depths of the ages, and their particular, at times different, interests in Southeast Asia could, specialists believe, complicate the process of rapprochement.

# **Singapore Businessman in Moscow Discusses Plans for Import-Export Transactions**

91UF1180A Moscow SOVETSKAYA ROSSIYA  
17 Sep 91 p 3

[Interview with Singaporean businessman The Luan Pek by M. Yevgenyev; place and date not given: "Stay Optimistic"]

[Text] Singaporean businessmen The Luan Pek was in the USSR recently on a business trip. Mr. The is chairman of the American International Industries Group of Companies (AIIGC) and also executive chairman of the AII Marketing Services ITE LTD company, which is a part of AIIGC. Based in Singapore, the firm was formed at the start of 1991 specially for import-export transactions with the USSR. Its nominal capital is \$1.5 million. Our correspondent asked Mr. The to answer a number of questions connected with his visit to the USSR.

[Yevgenyev] Mr. The, what is the practical purpose of your visit to the USSR?

[The] Laying the foundations for fruitful activity here and evaluating the opportunities for capital investments in the country's economy.

[Yevgenyev] So you believe that from the viewpoint of business cooperation prospects this is an auspicious period?

[The] Yes. Our representatives have been studying the situation in the USSR for two and a half years. The time has now come for long-term capital investments. We consider it our mission to supply the USSR with equipment which will make it possible to create competitive export products. And we intend to organize imports of this equipment to the USSR.

[Yevgenyev] What is the profile of your company's activity?

[The] We manufacture industrial products in various Asian countries and are also involved in commerce. We have offices in almost all states of the South Pacific basin—in Singapore and Malaysia and Brunei. It may be said that we hold key positions in the region, which is enjoying rapid economic growth.

[Yevgenyev] What do you intend trading with us?

[The] As is known, there has now been a decline in capital construction in the USSR. There is for this reason unengaged capacity for the production of construction materials, cement, for example. We could provide for exports of such products.

[Yevgenyev] You intend exporting raw materials, in fact?

[The] We are more interested in processing the raw material and imparting to it added value locally. And also in creating the conditions for machining and imparting the requisite commodity appearance to your products. From the viewpoint of commerce this is far more profitable than simply exporting raw material. The main problem in the organization of exports of construction materials is packaging. In the past the entire Soviet product was geared

purely to domestic consumption, and no one, therefore, paid particular attention to packaging. Now, however, there has been a fundamental change in the situation—without the creation of a special enterprise for the production of packaging materials, weighing out and stowage in containers for subsequent delivery to the ports organizing exports of competitive products is simply impossible. It is an enterprise of such a profile that we want to help create in the USSR.... We are also considering such a possibility of cooperation as the leasing of equipment to Soviet partners. At this moment they have ideas, admittedly, but no working capital for expanding production. We will make available to them modern equipment, whose cost they will reimburse as production develops.

[Yevgenyev] Your company proposes cooperating only with partners at the government level, or will you also be dealing with private individuals and cooperatives?

[The] As a company involved in development efforts in various fields—mechanical engineering, chemical and petroleum industry and so forth—we organize relations primarily with partners representing the public sector. But we do not rule out the possibility of cooperation with serious business people and cooperatives either. It all depends on the assignment they set themselves. When I was head of a trade union consumer cooperative in Singapore, we were motivated by national interest—curbing inflation and lowering prices. If we are asked how this is done, we will try to help.

[Yevgenyev] What advice have you for young Russian entrepreneurs who want to establish cooperation with foreign businessmen?

[The] It is best to find an experienced, reliable partner and establish long-term relations with him. But I know that many people are trying to establish cooperation only in their own interests. This is a fundamentally incorrect approach. True companions should be of like mind and look out primarily for the common interest. If one thinks only about oneself, success will not come. Having won trust, on the other hand, you will develop in line of ascent, handling more and more important business. For this reason we always feel ourselves to be a single whole with our companions and act as one man. This is the basic principle of the philosophy of our business life.

[Yevgenyev] Your Moscow partners conform to these criteria?

[The] They are deserving of the highest trust and are honest and enterprising and capable of listening attentively and taking on board what is new. We will familiarize them gradually with the work of our overseas companies and share with them our experience. It may be said that we are investing capital in our companions also. This is our attitude toward all employees, from secretaries through the managing director. This also is our principle. And one further observation for your business people: a great deal will depend on the surroundings in which the future entrepreneur has been raised and trained. With us, in Singapore, we deal with nothing other than business. We talk business at breakfast, lunch, and dinner. And even if

the talk touches on soccer or another subject, we inevitably return to business. This is our life. It is experience of life in such an environment that your businessmen lack. You too will join in assertive entrepreneurial activity, but for this it is necessary first to accumulate information. We, on the other hand, are not only ready to share our knowledge with you but also to help with information concerning questions of marketing.

[Yevgenyev] Free of charge?

[The] It should not be thought that we are "sugar daddies." We are businessmen and expect to make money. But we want to earn it prudently and honestly. Our goal is to create here a venture in conjunction with your people and earn together. It is this that we are proposing to our Soviet partners. As far as I can judge, your country has simply colossal opportunities.

[Yevgenyev] Your words are a surprising contrast with the current pessimistic mood here in respect of our economy's prospects.

[The] But I see big prospects for you. When in 1965 we embarked on economic reforms in Singapore the situation was not that much better than it is here. But Singapore had nothing—neither raw materials nor resources. But you have raw materials, hard-working people, and the broadest field for entrepreneurial activity. In a word, all the components of success. Of course, we had industrious, enterprising citizens. But Russia has such also, it is simply that they have been raised in such a way that they are unaccustomed to using all their opportunities.

[Yevgenyev] A few words about yourself, Mr. The.

[The] Both my grandfather and my father were businessmen. And my sons are businessmen too. The elder is head of a daughter company on Brunei, the other is in business in Malaysia, where we have branches....

Last year I was elected president of the International Federation of Nongovernment Organizations for the Prevention of Drug Abuse (IFNGO). The UN Economic and Social Council (ECOSOC) has imparted consultative status to this federation. Within the IFNGO framework we collate world experience and draw up recommendations which could help drug addicts overcome the pernicious habit, with regard for different countries' social and cultural environment.

[Yevgenyev] Are you planning to establish such cooperation with the USSR?

[The] Drug addiction is a general problem, it has no borders. We are prepared to cooperate with everyone in the struggle against this evil. In specific terms, however, we are not as yet aware of a nongovernment body in your country with which we could cooperate directly.

### **India Concerned over Soviet Fulfillment of Economic Agreements**

92UF0018A Moscow IZVESTIYA in Russian 28 Sep 91  
Union Edition p 5

[Article by N. Paklin: "'Special Relations': Questions Without Answers: Delhi Not Sure We Will Fulfill Soviet-Indian Agreements"]

[Text] The Moscow Ballet Troupe performed successfully in Delhi. The tour occurred in the context of a cultural exchange agreement between the USSR and India. At the request of the Indian side, which paid all the troupe's expenses except for airline tickets, it was timed to coincide with the 20th anniversary of the Treaty on Peace, Friendship, and Cooperation between the two countries.

Judging by everything, however, the tour of the noted dancers may be the last splash of the cultural agreement. One of the partners, namely the Soviet Union, has ceased to exist, at least in its previous form. Who will fulfill our side of the agreement now? After all, besides a desire to display one's culture and see that of others, it requires no small sum of money. Understandably, India is worried not so much about the fate of a separate agreement in the area of culture as about agreements between the two countries on the whole. Only recently, both parties emphasized the "special nature" of these agreements. Today, their future is unclear.

Above all, it is unclear how matters will go with the Soviet-Indian Treaty on Peace, Friendship, and Cooperation itself. This document, signed two decades ago at a difficult time for India, legally reinforced the friendly relations between the two countries. The Indian leadership, outside any dependency on party affiliation, highly valued and values the treaty. It believes that the agreement has played an important role in the development of bilateral relations, as well as contributed to consolidating India's foreign political positions, to strengthening peace in a broad Southern Asian region, and to detente and universal disarmament. In its message to our USSR president on the occasion of the treaty's 20th anniversary, the Indian leaders stressed that the treaty has withstood the test of time. Our country also agrees with this assessment. Soviet-Indian relations have become an important factor in world politics.

When the question of the future of the treaty arose, India was in favor of extending it for 20 years. Our diplomacy has relied more on the "automatism" incorporated in the 11th article of the treaty. This article stipulates that if up to 12 months before expiration of the treaty neither of the parties declares a desire to halt its effect, it is automatically extended for the next five years. Finally, the Indian viewpoint prevailed. Literally at the last minute the parties agreed to sign a protocol to prolong the treaty for 20 years. To this effect, the text of a joint communique was agreed on. I was informed by our embassy in Delhi that the USSR minister of foreign affairs will attend the treaty-signing ceremony in India this autumn.

However, certain well-known events have occurred in our country. The putsch accelerated the break-up of the Soviet

Union. Even the head of the Soviet foreign political department has been changed. An ambiguous situation has been created. Formally, the treaty is in effect. In reality, there is no one to fulfill our end of it...

India is interested in maintaining treaty relations with us in the future. However, who will be subject to them? Most likely, it will no longer be the country that until recently occupied one-sixth of the Earth's land. Who then? The sovereign states that have formed in its place? If so, will it be all of them together, or each one separately? The Indian leadership is puzzling over these questions. Of course, India would prefer to deal with one country, whatever it may be called and whatever units it may join within itself. Until recently it agreed to maintain relations with our republics in the area of economics and culture. Yet, at the beginning of August in the course of preparing for a visit by the president of Uzbekistan, the representatives of this republic proposed the conclusion of a number of political agreements to India, and the Indian leadership rejected this proposal.

However, the development of the situation in our country after the putsch is prompting India to reconsider its position. Speaking on this topic at a seminar in Delhi, the Indian minister of state for external affairs, Eduardo Faleiro, announced that a new approach is dictated by the fact that an "accelerated process of strengthening the sovereignty of Soviet republics" has been occurring since the putsch. "We should work out with them the necessary mechanism for interaction," noted the highly placed Indian diplomat. Delhi does realize that relations with individual republics can hardly replace relations with the Soviet Union as a united state. Indian analysts are trying to clarify for themselves what the "mechanism for drafting and implementing the foreign policy of the Soviet Union" will be under conditions of the state independence and sovereignty of the republics. Meanwhile, we are also trying to figure this out...

The future of our economic relations also causes serious concern in India. Strange though this may seem, for now the old system of interstate relations continues to function. The state order included in it is also functioning. For better or worse, the agreements concluded under it are being fulfilled. Recently, new contracts were even signed in the name of the USSR for the delivery of a large consignment of chemical fertilizers to India.

India, which before had insisted to the utmost on a rupee basis for Indian-Soviet trade, has concluded that there are no real possibilities for its existence in the future. Yet the rupee principle is included in the 1985 Soviet-Indian trade agreement. It presumes that all accounting between our countries will be done exclusively in rupees. From a formal viewpoint, the recent agreement on the sale of Indian light automobiles to the Ukraine for dollars is illegal. However, who is thinking about this now?

India fears that a sharp conversion from calculations in rupees to calculations in hard currency will lead to a significant reduction in trade circulation between our countries. Negative experience in USSR trade with East European countries confirms the validity of such fears. Our country is India's second largest trade partner, after the United States. The situation is intensified by the fact that India is undergoing a serious currency and financial crisis. The country is up to its neck in debt. Its hard currency reserves are utterly exhausted. If we were to request hard currency for our goods from India tomorrow, it simply would be unable to pay for them. And with what will we buy Indian goods in this case? For dollars, which we also lack? We will hardly be able easily to find replacements for many Indian goods. Recently, as a result of an acute commodity shortage in our market, we forced import from India in every way possible. Our importers made a large profit from a trade agreement which stipulates the granting of technical credit by India to the Soviet Union at a rate of 4.6 percent of current annual purchases of goods in India. The agreement does not stipulate the amounts of such credit. Employing this ambiguity, we have bought increasingly more Indian goods on credit. At the start of this year we owed India 19 billion rupees for current trade transactions, which is almost a billion American dollars at the exchange rate at that time.

According to Indian data, India's exports to the USSR have doubled in the last year. It now exceeds Indian purchases of Soviet goods by a factor of two. This is not because India does not want to buy them. Our economy, which is in a stage of disintegration, is in no condition to provide them for the Indian market. Regular payments by India on credits which the Soviet Union previously granted it are no longer helping to balance Soviet-Indian trade. Due to these payments, this year we covered 40 percent of the purchases of Indian goods.

Another difficult problem in economic relations is our country's participation in the construction and reconstruction of many industrial projects in India. Above all, these are power plants, including nuclear, ferrous metallurgy factories, and coal mines and pits. They are being erected or reconstructed according to our designs and are being outfitted with our equipment which, as a rule, is coming in as parts from different republics. Who will see to coordinating these deliveries now? Will credits be granted for them, and by whom? After all, most of these projects are being financed at the expense of state credits from the Soviet Union. Incidentally, the granting of credits for such purposes is a normal practice in interstate economic relations, amounting to nothing other than encouraging the export of "one's own" machines and equipment.

From talks with representatives of Indian business circles one gets the impression that the Indian side is trying to determine precisely which of the former Soviet republics supplied the basic share of export production to India, and to hold talks with them on deliveries in the future. However, it seems that we should have some kind of unified agency that would coordinate the foreign economic ties of republics with such a large country as India. Such coordination should



be implemented on a voluntary basis. Its motive force would not be administrative state compulsion, as before, but the particularly economic principle of mutual gain. And there can be no doubt that India is a country with a great export potential.

Our country has accumulated tremendous experience in relations with India. This applies to politics, economics, defense, and culture. It would be senseless to set this to the wind at one sitting. We should value Soviet-Indian relations.

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